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# FINANCIAL TIMES

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## Berlusconi pressed to avoid Fininvest conflict of interest

Italian prime minister Silvio Berlusconi should sell his Fininvest business empire or appoint a trust to manage Italy's second largest private group to avoid a conflict of interest, a commission set up by Mr Berlusconi when he took office proposed. Its report rules out enforced divestiture as unconstitutional. The opposition Party of the Democratic Left, the former Communist Party, criticised the proposal as being too little, too late. Page 16

**US to push for Mideast peace:** US secretary of state Warren Christopher will today launch an intensive effort to bridge the differences preventing an Israel-Syria peace agreement. Page 7

**Russia and west split on security:** Growing differences between western nations and Russia over European security are expected to emerge at a conference of 53 nations which begins today in Budapest. Page 2

**GE's aero-engine test plans challenged:** Rolls-Royce and Pratt & Whitney are challenging proposals by General Electric of the US to change part of the testing procedure for large civil aircraft engines to power the new generation of Boeing 777 aircraft. They say the proposals, if adopted, would give GE a competitive advantage. Page 17

**Sarajevo aid flights resume:** UN aid flights to Sarajevo resumed fully for the first time in nearly three weeks, taking food to a city with less than a week's supply. Page 2

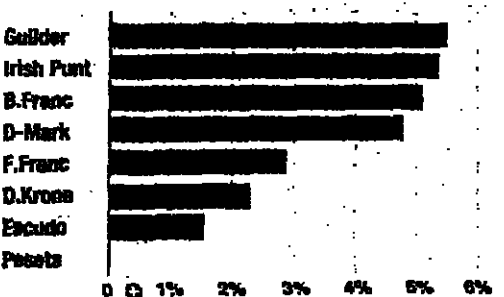
**Ford is offered aid to build Jaguars in UK:** The UK government has offered a financial aid package to Ford, the US carmaker, in an effort to persuade it to build a new range of Jaguar cars in the UK rather than the US. Page 8; Lex, Page 16

**Tories back away from Thatcher claims:** The British Conservative party sought to distance itself from Baroness Thatcher after allegations that her son, Mark Thatcher, made £12m (£9m) in commissions from a Saudi Arabian arms deal while she was prime minister. Page 16

**Cult leader reported dead:** Joseph di Mambro, a leader of the Order of the Solar Temple sect, was among the 48 cult members who died in two villages in Switzerland last week, Swiss television reported. Warrants had been issued for di Mambro, a French Canadian, and the cult's other leader, Belgian Luc Jourd'he. Page 16

**European Monetary System:** The Irish punt, helped by the strength of sterling, climbed above the Belgian franc in the EMS grid. The spread between strongest and weakest currencies was little changed because the two most active European currencies, the Italian lira and the Finnish markka, are both outside the grid. Currencies, Page 35

**EMS: Grid** October 7, 1994



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the peseta which move in a 2.25 per cent band.

**T&N expects £20m from sale:** T&N, UK automotive components and engineering group, is expected to raise more than £20m (£31.6m) from the disposal of part of Goetze, the German piston ring producer acquired last year for DM250m (£162m). Page 18

**Prague picks 12 telecom contestants:** Twelve international telecommunications groups have been selected to enter the first round of bidding for a stake in SPT Telecom, the Czech Republic's national telephone monopoly for which the government is seeking a strategic foreign investor. Page 19; Deutsche Telekom sale, Page 17

**Profits slip at Akers:** Norwegian oil and gas technology and cement and building materials group Akers reported pre-tax profits for the first eight months down to Nkr358m (£53.4m) from Nkr528m. Page 19

**Banco Napoli rating reviewed:** IBCA, the Banco credit rating agency, has put Banco di Napoli's rating "under observation" pending further examination of the Italian bank's disappointing half-year figures. Page 19

## The FT influence

The Financial Times has been named as the world's most influential publication in an international survey of central bankers, finance ministry officials and financial executives. Out of 300 financial policymakers surveyed in 30 countries by the magazine The International Economy, 60 per cent of those who replied cited the FT.

The survey also named Sir Samuel Brittan, the FT's chief economic commentator, as the world's most influential economic journalist, with 32 per cent of respondents citing him. Martin Wolf, Peter Norman and David Marsh, all of the FT, were respectively joint second, third and joint fifth most influential.

## Investors set to pour into Russia after rules tightened

By John Lloyd and John Thornhill in Moscow

Foreign investment capital is forecast to "flood" into the Russian market if the government can reform regulations which cast doubt on the legality of share and property purchases that are made by foreigners.

Prospective investors and analysts have poured into Moscow in the past two months to examine the Russian market. But they are hampered by rules that often fail to conform to foreign legislation, especially that of the United States, governing the activities of pension and other investment funds.

One senior manager of a large US investment house predicted over the weekend that if appropriate legislation

were put in place, between \$20bn and \$25bn could pour into Russia "within six months". He and some other fund managers played down the political risk, arguing that the process of market change was now too far advanced to be radically altered by almost any occupant of the Kremlin.

CS First Boston, the international investment bank, estimates that total foreign portfolio investment this year may exceed \$3bn.

However, Mr Martin Andersson, chief executive of Brunswick, a Swedish-owned, Moscow-based stockbroker, warned: "In many respects, Russia is a pre-emerging market and lacks many of the most basic playing rules. We will see a number of problems and scandals in the market."

**Foreign speculators raise the stakes**.....Page 15

That is only to be expected.

Under US legislation, particularly the 1940 Investment Act, mutual and other fund managers cannot invest in foreign stocks unless there is easy access to share ownership records, unless assets can be freely traded and the rights of property are clearly defined.

None of this is now exists in Russia - and in some cases, the only register of the purchase of a share is in one ledger in an office thousands of miles from Moscow, which could be susceptible to either fraud or accidental

loss or destruction. Asset prices in Russia have shot up without there being any effective settlement system in place.

A World Bank study released this month on the issue of privatisation noted that privatisation had put 14,000 companies employing more than 1.5m workers into the private sector. "Achievements made in the absence of consensus on the desirability, scope and pace of liberalising reform in general and privatisation in particular, and without what would normally be considered the requisite administrative and financial resources to implement, monitor and enforce a privatisation programme of this magnitude".

Ms Danielle Downing, director of Russian investments at CA, a Russian stock-

broker, said that share registration was the big hurdle for mainstream western investors. "But we think there should be infrastructure in place within the next six months, and we think that most of the emerging market funds would put 5-10 per cent of their weightings in the Russian market once that happened".

A number of Russian government ministers, including Mr Anatoly Chubais, the deputy premier for privatisation, and Mr Sergei Vassiliev, deputy economics minister, are working on legislation for a Securities Exchange Commission which would answer the needs of foreign investors.

However, there remains fierce rivalry between ministries as to which of them would oversee the process.

## US warns Iraq of 'horrendous price' and steps up Gulf force

**Iraqi troops continue to mass near Kuwait border**

By Mark Nicholson in Cairo and Robin Allen in Kuwait

The US stepped up deployment of a "formidable force" of troops, warships and jets in the Gulf yesterday and warned Iraq it would pay a "horrendous price" if President Saddam Hussein ordered an invasion of Kuwait.

The warning, from Mr Warren Christopher, the US secretary of state, came as thousands of Iraqi troops continued to mass near the border with Kuwait.

In Kuwait City residents formed queues at petrol stations, more in a desire to top up than

Gulf and 4,000 more troops were due to arrive in Kuwait within days to operate tanks and armoured personnel carriers positioned there after the 1991 Gulf war.

Mr Perry said an additional 8,000 California-based marines had been put on alert. Warships armed with Tomahawk cruise missiles were also on their way to the Gulf and the Red Sea.

Mr Christopher, speaking from Jerusalem on the first leg of a Middle East peace shuttle, warned Mr Saddam he would be subjecting Iraq to "devastation" if his forces crossed into Kuwait.

"We're moving a lot of forces in there at the present time. It will be some time, I think, before his forces are ready and we are in a very strong deterrent mode."

Mr Christopher said he would visit Kuwait during his week-long tour of the region.

The US show of strength came amid reports that Iraq was moving troops and support armour towards the Kuwaiti border. US officials said a 64,000-strong Iraqi force would soon be in place.

Mr Hamed Youssef Hammadi, Iraq's information minister, confirmed on Radio Monte Carlo that Iraqi troops were within 20km of the Kuwaiti border - just 5km north of the demilitarised zone straddling the border and policed by the lightly-armed United Nations Iraq-Kuwait Observer Mission.

However, Iraq's intentions in massing troops north of Kuwait were no clearer yesterday, although the state-run Baghdad Radio repeated threats that Iraq



Iraqis in Baghdad offer an enthusiastic show of support for Saddam Hussein's initiative

Picture: Reuters

would take unspecified "measures" if the UN Security Council did not take immediate measures to ease the four-year-old embargo on oil exports, which has devastated the country's economy.

The commentary said Iraq had the "right to take any measures" to defend itself in the face of what it called "an injustice of unprecedented proportions" being inflicted by the UN, the US and Gulf neighbours.

Iraq appears to be attempting to force the hand of the Security Council which will this week consider a report from Mr Rolf Ekens, the UN envoy, that comprehensive systems to monitor

therefore be eased immediately. The US and Britain have said they oppose setting any definite criteria for the lifting of sanctions at this stage. The US maintains Iraq has failed to comply with the bulk of such resolutions and remains a regional threat.

## Austrian coalition sees its majority reduced

By Ian Rodger in Vienna

Austria's long-standing conservative-socialist ruling coalition led by Chancellor Franz Vranitzky looked set to return to power after yesterday's elections, but with a much reduced 63 per cent share of the vote, down from 75 per cent in 1990.

Disenchanted voters deserted the Social Democratic party (SPÖ) and the conservative Austrian People's party (ÖVP) in large numbers for both right and leftwing fringe parties, raising the prospect of a broad realignment in the near future.

The biggest winner was the charismatic Jörg Haider, leader of the far rightwing Freedom party. The FPÖ raised its vote share from 16 per cent in 1990 to nearly 23 per cent, and could theoretically form a conservative coalition with the ÖVP.

Mr Haider said last night he would not enter such a coalition as long as Mr Erhard Busek remained ÖVP leader. Mr Busek also opposes such a coalition. Mr Haider said he expected to lead the government after the next election in 1996 "at the latest". The poor result for the ruling coalition means it would have only 118 of the 183 seats in parliament, down from 140. Thus it will

Continued on Page 16

## China to increase borrowing abroad for next five years

By Tony Walker and Martin Wolf in Beijing

China's finance ministry expects to increase significantly its foreign exposure by borrowing about \$10bn over the next five years on international capital markets to help fund the country's infrastructure requirements, according to a senior ministry official.

Mr Gao Tian, director of the ministry's debt management department, said the ministry would take advantage of the longer maturities available internationally to boost its capital-raising abroad. This year the ministry has issued \$1bn in global bonds.

At the same time the government would closely monitor borrowing by other state agencies and corporations to ensure that China's debt service ratio did not exceed 15 per cent. The present ratio is about 11 per cent.

Mr Gao said China's "long-term strategy" was to diversify its

sources of capital. It would seek funds from the US, Japan, Asia and European bond markets depending on interest rate trends. He indicated that among the factors pushing China into the international capital markets was concern about rapidly increasing obligations to domestic bondholders. Most government paper carries short-term maturities of between one and five years.

China this year issued more than ¥1,000bn (\$11.7bn) of treasury bonds. Payments to bondholders will rise sharply to an average of ¥700bn over the next few years from ¥500bn in the late 1980s. Mr Gao said it was difficult to persuade domestic investors to purchase bonds with longer maturities because of concern about rising prices.

He indicated that China expected to maintain a fairly heavy borrowing programme for the rest of this century, but it would be sensitive to cost. This reflects a conservative approach within

the bureaucracy. China's foreign debt, including that of state investment agencies, was \$83.5bn at the end of 1993 and is expected to rise to about \$100bn by the end of this year.

The official Xinhua news agency quoted an official of the state administration of foreign exchange control as saying recently that "it was time for China to limit its foreign borrowing and use as much direct overseas investment as possible". The Xinhua dispatch also reported that the authorities were surveying some 500 enterprises and projects to assess how effectively foreign borrowings were being used.

Chinese institutions, including the state investment company, have been active in international capital markets for some time, but the ministry of finance was relatively slow to tap external sources until last year, with the issuing of \$300m of "dragon bonds" in the Asian market, following an earlier foray into the Eurobond market.

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Delson Minto and Ashurst Morris Crisp acted as solicitors to the Company and to the Equity Investors. KPMG acted as investigating accountants.



## NEWS: EUROPE

# Paris seeks to alter EU talks agenda

By David Buchanan in Paris

France's parliament, in a display of anti-Maastricht plume not often associated with Paris, has pushed its government into requesting European finance ministers to refrain today from discussing the French budget deficit.

The German presidency of the EU finance ministers meeting in Luxembourg will not want to accede to the French request. Germany is keen to see debate on Maastricht's fiscal disciplines and France is one of 10 countries that figure in a Commission recommendation on "excessive budget deficits" that the Council of Ministers is being asked to approve.

Prime Minister Edouard Balladur last July promised MPs they would be consulted on draft EU legislation before it went to the Council of Ministers and that Paris would object to the Council changing its agenda less than 14 days before a meeting.

Mr Philippe Séguin, the anti-Maastricht president of the National Assembly, last week leapt on the technicality that the Commission's "excessive budget" recommendation was only put on the Council agenda five days ago. On Friday he helped persuade the parliament's EU affairs committee to pass a unanimous resolution asking Mr Balladur to carry out his July promise. Later today the parliament's finance committee is to review what transpired in Luxembourg.

Mr Séguin has been able to play on the irritation of many



Séguin: irritation

MPs that the Luxembourg debate should be taking place a day before the National Assembly starts debate on France's 1995 budget. A spokesman for Mr Séguin said it was "an encroachment on French parliamentary sovereignty". But the presidential election season is opening in France and Mr Séguin, who supports Mr Jacques Chirac against rival Gaullist Mr Balladur, is not averse to stirring up trouble for the government.

An ifop opinion poll in yesterday's Journal du Dimanche for the first time put Mr Jacques Delors, the European Commission president and a Socialist, ahead in a first-round vote for the presidency, giving him 20 per cent, 19 per cent for Mr Balladur and 10 per cent for Mr Chirac. In the second round run-off, Mr Delors would be beaten by Mr Balladur (51-49 per cent) but would win against Mr Chirac (54-46 per cent).

# Russia and west split on Europe's security

By Bruce Clark in Budapest

Growing differences between most western nations and Russia over the future of European security are expected to surface at a conference of 53 nations which begins today in Budapest. Russian officials want the Conference on Security and Co-operation in Europe (CSCE) to be transformed from a weak talking shop into a powerful institution which could effectively manage the division of Europe and the former Soviet Union into western and Russian spheres of influence.

The ideas mooted by Russia include the creation of a 10-nation steering committee - with the US, Russia, Britain, France and Germany as permanent members, and the other seats rotating - that could intervene in conflicts and allocate peacekeeping mandates.

During the recent ceremonies in Berlin marking the Russian withdrawal from Germany, General Pavel Grachev, Russia's defence minister, redoubled calls for the CSCE to become the apex of a new European security structure which would subsume both Nato and the Common-

wealth of Independent States.

In Russia's vision, the CSCE committee would license Nato, the CIS or forces drawn from both blocs to maintain peace in regional trouble spots. Most western nations, in particular the US and Britain, have rejected this idea out of hand, but senior German officials have suggested there is room for a little movement in the direction Russia is proposing. Germany and the Netherlands have aired proposals for the CSCE to become a kind of intermediary between its members and the United Nations, but this has met with

a cool response from English-speaking countries.

Critics have suggested that Russia wants to use the CSCE to gain as much influence as possible over the decisions of Nato, while gaining maximum freedom of action for its own military activities in the southern republics of the CIS.

Western CSCE members were taken aback during the summer by Russia's abrupt withdrawal of support from a draft set of "peacekeeping guidelines", apparently because the text provided for too much western influence over Russia's military posture

in central Asia and Transcaucasia. Other versions of the text - giving Russia a freer hand - have been endorsed by Moscow but so far rejected by the west.

The two-month meeting which starts today will provide an important sign of the success or failure of Russia's diplomatic offensive. President Boris Yeltsin wants the session to culminate in December with a meeting attended by himself, President Bill Clinton and as many other leaders of CSCE nations as possible. But it remains unclear whether the US president will go to Budapest.

# Baltics struggle to muster a credible defence

When the Russian army left the Baltic states of Estonia, Latvia and Lithuania, it took every piece of useful military hardware which was not nailed down. To complete the job, much of what was nailed down was ruined: the vandalism was so petty that even barracks toilets had concrete poured into the plumbing to make them unusable.

As a result, the Baltic states, poor and poorly organised, have little effective defence against their heavyweight neighbour. The three countries have only small arms, a few thousand barely trained conscripts, a greater number of enthusiastic but amateur home guards and some ex-Soviet professional soldiers of varying honesty. What is worse, neither Estonia, Latvia nor Lithuania has any money to improve matters. There is no doubt that if the Russians decided to re-invade tomorrow, they would face little effective resistance.

Small wonder then that the Baltic states are looking to the west for help. The objective of all three is full membership of Nato in the shortest possible

Russia's army left little when it departed, except poorly trained conscripts and a Soviet military ethic of dubious value, reports Bernard Gray

order, but most Baltic military commanders and politicians are realistic enough to know that remains a long term ambition.

Nato would be reluctant to commit itself to the defence of areas a long way forward of its main bases, and is also sensitive to Russian concerns. The idea that the Baltic states could become a forward base from which Nato power could threaten Moscow plays into the hands of Russian hardliners.

Nato is probably also unwilling to incorporate countries which cannot pay for their own defence. "Nato membership is a matter of responsibility as well as rights," said Mr Malcolm Rifkind, UK defence secretary, recently. "We have no objection in principle to expanding Nato membership, but potential members must be able to make a contribution."

While they work towards full membership, all three countries are desperately seeking

diplomatic and military ties which pull them into the western sphere and out of Russia's orbit. All have signed up for Nato's Partnership for Peace initiative, which offers co-operation and joint exercises; they have also agreed to form a Baltic battalion which would be available for UN peacekeeping operations. The working language of the battalion will be English, and the troops will be trained by Scandinavian and British soldiers.

Political visits, such as that by Mr Rifkind last week, are another important signal which the Balts wish to use to strengthen their position. The Baltic defence strategy currently is to raise the political price of any Russian interference. If the Baltic states' profile is sufficiently high in the west, a colonialist-minded Russian leadership might decide that pressure on the states was not worth the candle.

If that strategy is to work,

however, the Baltic states will have to reform their armed forces sufficiently to work with the west. That is no small task because equipment and properly working barracks are not all they lack. Since their previous defence forces were the ex-Soviet army, they have no indigenous military structures. Those regular officers who are available served with Soviet forces. Many of them still cleave to Soviet military doctrines and do not wish to learn Nato-style methods. Some are also corrupt.

These concerns have led Estonia to appoint a retired US Army colonel and Estonian emigré, Aleksander Einsele, as armed forces commander on a salary of \$700 a month. "We have to build a professional armed force under civilian rule," said Gen Einsele last week. "When I first took this job on [last year] I thought it would take two years, but I was too optimistic. It would have been better to start from scratch, because then we wouldn't have had to get rid of all the old Soviet habits."

Gen Einsele, who says he



has "no plans to invade Russia before the year 2000" is also finding it hard to bridge the cultural gap with his ex-Soviet colleagues. "I come from a place where the norm is to tell the truth. Here the norm is to lie."

Latvia and Lithuania have even further to go in reforming their armed forces, not least because many senior officers do not accept the need to move to western ways.

Besides reform, the Balts must also hang together if they are to secure western assistance. The states have little in common save geography and compete for export markets for many of their products. The

most immediate aim for all three states, however, is to construct credible defence forces. In that they are being realistic: the assistance they are asking from Nato members is mostly training, rather than heavy weapons which they could not use effectively.

Yet the legacy of 50 years of Soviet occupation is heavy, and has seeped into every corner of life. In one example, which stands as a metaphor, military airfields, and the surrounding water tables, have been contaminated with aviation fuel. During Soviet rule, Russian pilots, reluctant to train in aircraft they considered unsafe, falsified their flight logs. Unfortunately, this left them with an embarrassing amount of unused fuel, so before the regular tanker deliveries arrived they drained the excess into nearby fields. It is going to take the Baltic states a long time to clean up the mess.

# Spain to speed up telecoms deregulation

By Tom Burns in Madrid

Spain has given a clear signal that it wants to keep abreast of the European Union's richer economies by waiving a five-year transition phase for the deregulation of its telecommunications sector and announcing that Telefonía's monopoly as a national operator will end on January 1 1998, as laid down by the European Commission's fast route timetable for the industry.

Hailed as a "leap forward of historic dimensions" by Mr Felipe González, prime minister, the deregulation package drawn up by the government has Spain tracking the telecommunications sectors in France and in Germany and rejecting the slower liberalisation route mapped out for weaker EU economies such as Portugal and Greece which allow state-controlled monopoly operators until 2003 to adjust to the open market.

The development opens the door to large telecommunications investment in Spain - in the short term large sums are likely to be routed towards the cable television business - but it is also a political indicator of the government's ambitions to catch up with the core of Europe and, in so doing, to decouple from the EU's poorer peripheral members.

The measures, which were announced after a Friday cabinet meeting, are nevertheless weighted towards a continued dominance of Telefonía in the domestic market and they also favour Spanish telecommunications companies.

Telefonía, which is 32 per cent government-owned, will have one of the two future cable television licences in order to protect its telephone business. This reflects an earlier ruling which reserves one of the two new mobile telephone licences to be awarded later this year for the monopoly operator and invites the private sector to bid for the second licence.

A main plank of the deregulation initiative is to assist the development of domestic telecommunications groups. The government therefore said it would favour a primarily Spanish consortium as the second basic telephony operator in 1998.

In addition, the authority which will regulate the future cable and local television networks and oversee the deregulation process is to be a department of the transport and telecommunications ministry whose present incumbent, Mr José Borrell, has long been viewed as a determined protector of Telefonía's monopoly privileges.

# Spaniards make a meal of feast day

By Tom Burns

When the church and civil society clash over holidays in Spain the *makina* syndrome asserts itself in all its laid back glory.

Because December 6 - a public holiday marking the endorsement by referendum of Spain's post-Franco constitution - falls on a Tuesday, and December 8 - the Roman Catholic feast of the Immaculate Conception, one of the several religious public holidays in the calendar - falls on a Thursday, many Spaniards will take the whole week off just a fortnight before the Christmas partying starts.

The employment ministry bowed to the inevitable over the weekend when its efforts to contain the damage by bunching the two holidays together came to nothing. The trade unions refused to have the constitution day holiday moved forward to Friday

December 9 and the bishops opposed bringing the Immaculate Conception feast back to Monday December 5. Earlier, the ministry had drawn the combined fire of the unions and the bishops by attempting to negotiate moving both the holidays to successive Mondays.

The result is that, in addition to the expected massive absenteeism during the nominally working days of the first week of December, many industrial plants will grind to a halt during the whole period because the transport of dangerous goods is banned on a public holiday and on the eve of a holiday.

The ministry's woeful negotiating skills, and the obstinacy of both unions and bishops, came in for sharp criticism from the employers, save those in the travel and hotel business who have reported very strong bookings over the week.

# UN aid flights to Sarajevo resume

By Laura Silber in Belgrade and Bruce Clark

United Nations aid flights to Sarajevo got into full swing yesterday for the first time in nearly three weeks, despite Saturday's sniper attack on trucks in the city centre in which one civilian died and 11 were injured.

The resumption of the air bridge marked a success for the UN's mediation efforts, after several days in which it has been accused of bias and ineffectiveness by both Bosnian government and Bosnian Serb officials.

UN officials said about 20 aircraft flew to Sarajevo yesterday, bringing desperately needed supplies to a city where food stocks were threatening to run out in less than a week.

The UN's humanitarian operation, vital to sustain the city's 300,000 inhabitants, was disrupted after the Serbs, angered by an air attack last month, started firing on flights.

General Sir Michael Ross, UN commander, sought to mend relations with Bosnia's Moslem leadership by denying, in a newspaper interview, that he would ever ask for air strikes against the government side. He stressed that the Bosnian government was the legitimate leadership of a UN member country which had been the victim of aggression.

He also indicated that last week's killing of 10 Bosnian Serb soldiers and four nurses by government troops was now viewed as an ordinary military action and not an atrocity, as the UN had initially alleged.

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# Business reluctant to buy Scharping

Christopher Parkes reports on the SPD leader's bid for the management vote



## GERMAN ELECTIONS

October 18

Mr Rudolf Scharping, the Social Democrat (SPD) leader, was out of luck when he went trawling for a big fish business name to join his election campaign team at the end of August. The best he could net was Mr Daniel Goedevert, the fallen and faded star of the Volkswagen management board, most recently spotted earning a crust as a model in a computer advertisement.

Although he has angled deftly - no thanks to Mr Goedevert's suggestion that the ex-communist Party of Democratic Socialism was not as red as it was painted - Mr Scharping looks like having equally little luck catching the management-class vote at next weekend's federal election.

According to a poll of 500 German managers last week, a mere 8 per cent consider Mr Scharping a suitable chancellor. And while only about 48 per cent of the population at large say they will vote for the current coalition parties, 78 per

The German election next Sunday could produce a stalemate between Chancellor Helmut Kohl's existing conservative-liberal coalition and the rival parties of the left, according to the latest opinion poll, writes Quentin Peel in Bonn. The survey, carried out by the Rumschauer group for Der Spiegel magazine and the ntv television news broadcaster, suggests that Mr Kohl's Christian Democrats would win 42 per cent, and his Free Democratic party allies just 6 per cent - a 1 per cent drop on the week.

cent of managers are backing Chancellor Kohl's alliance of Christian Democrats, the Christian Social Union and liberal Free Democrats.

The fact that a solid 80 per cent prefer Mr Kohl to Mr Scharping appears to be at odds with the regular blasts delivered in the chancellor's direction by such eminent industrial mouthpieces as Mr Hans-Peter Stahl, president of the federal chamber of trade and industry. But the better-the-devil-you-know factor is clearly at work.

Although Mr Stahl, heard earlier this year comparing Bonn's economic policy and Germany's economic future with the style and prospects of a local league soccer side, has not recanted, he has since decided that the government's own-goal scoring rate would be

even worse under the SPD. His opinion has doubtless been coloured by the calculations - and activities - of number-crunchers in Frankfurt.

Foreign analysts in particular have advised their employers to prepare sell orders for D-Mark investments in the event of accidents such as the induction of Chancellor Scharping. A precautionary sell-off which last week helped drive the Frankfurt stock exchange's DAX index of 30 leading shares down to the year's low is also likely to have played a role in consolidating corporate support for the status quo in Bonn.

German analysts, typically, have been more circumspect so far and expect the shock of any change to wear off quickly. But their main guiding principle has been a common if Delphic

The opposition Social Democrats (SPD) were backed by 37 per cent in the poll, and their potential partners, the Greens, by 7 per cent. The Party of Democratic Socialism (PDS), the former East German communists, which could get into the Bundestag by winning at least three constituencies outright, was supported by 4 per cent.

Although the SPD insists it would not use PDS support to gain power, the stalemate might force a grand coalition between the Christian Democrats and Social Democrats.

view elicited in an informal PT sampling of German business opinion on the outcome of the election.

There is a standard reply to questions on the result: "We do not expect any major changes/surprises/shocks." This portmanteau attitude, while apparently supportive of Mr Kohl, also encapsulates the resented expectation that even if the SPD joins government in a grand coalition with the conservatives - judged in business circles to be the second most likely outcome to a continuation of the present government - it will mean business as usual.

As Mr Adolf Rosenstock, senior economist at the Industrial Bank of Japan in Frankfurt, points out, the SPD has been a *de facto* coalition partner for years. Since it com-

mands a majority in the Bundestag or upper house of parliament, which enjoys considerable powers to block legislation, the solution of important differences has long demanded compromise and consensus-building.

However, such bright-eyed scenarios appear to be based on the shaky assumption that the decent, charming Mr Scharping would be able to smother the ambitions and voices of his more bumptious election-campaign cohorts, Mr Gerhard Schröder, Lower Saxony premier, and Mr Oskar Lafontaine, the vineyard prime minister from the Saar.

Mr Schröder, who runs an active, interventionist economic policy in his home state, makes no secret of his view that he would make a better chancellor than his official party leader. He certainly emerged favourably from last week's poll of managerial opinion in which 50 per cent of the interviewees said they would rather have him as economics minister than the present incumbent, Mr Günther Rexrodt. Sadly, they were not asked the question Mr Schröder and many others of all party hues would like to hear answered: how he is rated against Mr Kohl?

# Western groups sign Russian telecoms deal

By Andrew Adonis in London and John Ridding in Paris

France Télécom, Deutsche Telekom, the German state operator, and US West, a US Baby Bell regional operator, have signed a memorandum of understanding with Russian partners to develop Russia's long distance telephone network.

The initial investment to launch the project will be only "several hundred million" dollars, but the Russian ministry of communications believes it could lead to a total investment of \$400m over the next decade. It will be channelled through a joint venture company.

Meanwhile, AT&T, the biggest US operator, has signed an agreement with three Russian operators to upgrade Moscow's telecoms network, providing

400,000 new phone lines. The four-year project is expected to cost \$200m.

AT&T said it would give Moscow upgraded digital telecoms facilities "comparable to other cities with modern networks".

Analysts believe these investments and others announced in recent months, although significant, fall far short of the level required to provide Russia with a modern telecoms network by the turn of the century.

According to the World Bank, the former eastern bloc requires between \$10bn and \$15bn of telecoms investment a year - about half of it from the private sector - if it is to build a basic telecoms infrastructure by 2000. Russia has barely 15 phone lines per 100 people, compared with 43 in western Europe.

France Télécom said its project with Deutsche Telekom and US West would include the construction of 50,000km of fibre optic cables, and could result in a doubling of Russia's 22m telephone lines.

However, the three western telecoms groups and their two Russian partners - Russian Overlay Network and Rostelecom - have yet to develop a business plan for the project, and one is not expected to be agreed until next year.

The project has been dubbed 50x50, because it envisages the construction of 50,000km of fibre optic cables and more than 50 digital exchanges.

According to a statement from the three western companies, the capital will be raised from their own resources, the sale of telephone concessions and by the participation of investors.

# US drug tests raise hopes for anti-influenza vaccine

By Daniel Green

Clinical trials in the US of an anti-influenza drug have raised hopes of a vaccine on the market within the next three years.

Tests on 46 volunteers infected with the flu virus showed that the drug, developed by the UK company Glaxo, cut their infectiousness 100-fold. It also cut the period for which they were infectious by half to less than two days.

Infectiousness, measured by the number of new viruses shed from the patient's nose, is a way researchers quantify effectiveness. Dr Frederick Hayden of the University of Virginia, Charlottesville, who conducted the trials, said the volunteers also had fewer flu symptoms.

Clinical trials involving another 600 people this winter should help set the dose for the

drug and determine when is the best time to take it. If such trials are successful, Glaxo intends to submit the drug for regulatory approval in 1996. A product could reach the market later that year or, more likely, in 1997.

No treatment today is very effective because the flu virus changes shape frequently. A flu vaccine immunises against three or four of these shapes, or strains, leaving people vulnerable to any others they may encounter. Such is the speed of mutation of the virus that new flu jabs are required each year.

The new drug was developed by researchers at Monash University in Australia and is licensed by Glaxo from Australian biotechnology company Biota. It works by interfering with an enzyme the flu virus uses to break into healthy body cells.

## EUROPEAN PRESS REVIEW

# Media show signs of election fatigue

## GERMANY

By Quentin Peel

Perhaps it was always inevitable that in an election marathon year in Germany, with no fewer than 30 polls, exhaustion would set in before the bitter end. With 15 down and five to go, the German media are showing signs of a severe surfeit of politicising.

For from flooding their readers and viewers with a torrent of conflicting information from the parties' headquarters, they have opted for the opposite: play it down and keep it simple.

Election issues are barely discussed. The only real focus is on the opinion polls, the personalities, and the possible permutations in coalition government which could emerge after next Sunday's poll.

It is not as if the outcome is beyond doubt. Everything suggests that the result is on a knife-edge, in spite of a surge in support for Chancellor Helmut Kohl through the summer months. It all depends on whether Mr Kohl's current coalition partners, the Free Democratic party, can get into the Bundestag at all. And the other unknown factor is whether the former East German communists - the party of Democratic Socialism - will not sneak in and end up holding the balance of power.

Given that uncertainty, and the stark choice between the current conservative-liberal coalition, the left-wing alternative of Social Democrats and Greens, and a grand coalition from centre-left to centre-right, one might expect saturation coverage. Far from it.

The mighty *Frankfurter Allgemeine Zeitung*, for example, has led its front page over the past week with a speech by the federal president on German unification. President Boris Yeltsin promising a steady reform course in Russia.

upheaval in the Italian coalition government in Rome, the conflict in Bosnia, and Iraqi President Saddam's troop manoeuvres on the Kuwait border. The election has merited no more than a couple of leaders and a front-page brief.

At the opposite end of the spectrum, the mass circulation *Bild Zeitung* has led twice on the affairs of Britain's Princess of Wales, and once on the death of the actor Heinz

The only real focus is on opinion polls, personalities, and possible permutations

Rahmann, Germany's answer to Charlie Chaplin. Politicians and their pranks don't even rate a paragraph there.

Perhaps it is because the personalities are simply too dull. Mr Kohl, for example, is solid, provincial, safe and uninspiring. He reckons that is what the German voters want. His rival, Mr Rudolf Scharping, appears to think the same: he is making every effort to appear more solid, safer, duller and less inspiring.

The media have tried to hype the polls, and they have even tried to hype the pollsters. The Forsa opinion poll, published in the weekly newspaper *Die Woche*, and on RTL television, was the first to dare to suggest that the FDP might not be re-elected. Five worthier and more established pollsters denounced the results as unsound, giving massive publicity to their rival on every other television channel.

Not that the press is averse to slamming the pollsters, on whom they still rely for most of their election-watching. It is

the "Sunday question" - "Who would you vote for if there were elections on Sunday?" - which is the original sin of the pollsters, thundered the left-of-centre *Frankfurter Rundschau* this weekend.

"Originally this was just one indicator among many, with which one tried to identify the current political mood," the newspaper said. "But then the opinion researchers themselves were instrumental in elevating the answers to this question to the level of a prophecy." They should realise that the modern media will publish the results in the most simplistic way, without any serious effort at explanation, or indication of the margin of error, says the *Rundschau's* Mr Martin Winter. Which leaves it less than clear who is to blame.

After the polls have been exhausted, all that is really left for the press is the personalities. And that is really how Mr Kohl wants it, because he towers (literally) above the rest, and has fought his whole campaign on his personality, not his politics.

Even in these last few days, as the newspapers cast desperately around for a new theme, the chancellor managed to oblige: he promised to stay in office - if elected - for the full term until 1998. But would he resign, or would he not, after 1998?

The fact that he declined to give any clear answer to the question does not appear to have deterred any of the newspapers from instant speculation. It gave a whole new lease of life to the weekend columnists.

The *Hessische Allgemeine*, from Kassel, put it succinctly: "That is the price of the media society: everyone reports on an event which isn't one. That the chancellor announces something which has long been known is barely worth reporting. But it still gets written." Helmut Kohl has often

enough complained of the power of the media, and always managed to present himself as the loser. But it is perfectly clear (on this occasion) that he is the one who sets the tone.

"Everyone one came along, and they all presented him with a first-class election campaign appearance, on prime time, and on all the front pages." He could scarcely ask for more.

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## NEWS: IRAQ MENACES KUWAIT

# Leaning on Security Council seems to be Iraqi leader's main motive – but his threat has already failed

## With gun in hand, Saddam goes back to the brink

By Mark Nicholson in Cairo

Once again President Saddam Hussein, the Iraqi leader, has forced the world at gunpoint to try to guess his motives and intentions.

His apparent motive in ordering the massing of tens of thousands of troops and supporting armour near the border with Kuwait is, as the past week's bitter rhetoric from Baghdad suggests, to give the United Nations Security Council an ultimatum: take immediate steps to ease the crippling oil embargo or suffer the "consequences".

This threat appears already to have failed. An emergency weekend meeting of the Council stated the "complete unacceptability" of Iraq's threat to cease co-operating with the UN over implementation of Gulf war ceasefire resolutions. Instead, his actions appear only to have confirmed that the Saddam of the Gulf war is unchanged – that he is, in the words of the Washington Post last week, "an unregenerated potential repeat offender", a leader whose primary foreign policy tool is force and who is entirely capable of the dangerous, unpredictable, apparently illogical and almost certainly self-defeating gesture.

The limited logic of his action appears to be to suggest to the Security Council, and in particular Britain and the US as the members most resistant to alleviating the four-year-old oil embargo, that unless he is given immediate hope that the sanctions will be lifted, he can and will be a dangerous nuisance in the Gulf.

The mobilisation of US and British forces already shows he can quickly force costly military deployments into a region which, outside Kuwait at least, remains uneasy at the thought of a permanent US military presence.

Mr Saddam's immediate target is the Security Council discussion due this week on the readiness of long-term monitoring systems installed to prevent Iraq from renewing acquisition or manufacture of weapons of mass destruction. Mr Rolf Ekeus, the UN envoy, will report that these systems are ready and a test period can begin. And before Iraqi troops moved south, there was strong sympathy among some Council members, notably France, China and Russia, for giving Iraq a definite "probationary" test period, after which the lifting of sanctions should be discussed.

Whether such sympathy will survive Mr

Saddam's belligerent troop deployment must be highly unlikely. "It's brinkmanship," said one senior Arab diplomat. "But what Saddam has not learned is that his brinkmanship usually rebounds on him."

Perhaps more damaging to Mr Saddam's case is that the Security Council is unanimous in requiring that, before anything can be done to lift sanctions, Iraq must unequivocally recognise both Kuwait's sovereignty and the post-Gulf war UN-demarcated borders between the two countries. By threatening this very border, Mr Saddam has suggested an instinctive refusal to recognise it and made it hard to take credibly any eventual recognition he might decide, or be forced, to accord. His actions only appear to strengthen the argument of those, like the Kuwaitis themselves, who say that sanctions could never safely be lifted while he remains in power.

Iraqi officials have made clear that they believe this to be US policy, although Washington denies this. The US has certainly maintained the hardest line against offering Mr Saddam any concessions in recent weeks and, before the troop movements, were beginning to look isolated within the Security Council. Even British officials have suggested privately that had

Iraq behaved during a six-month testing of the UN weapons monitoring systems, they would then be forced to consider seriously easing the embargo. Iraq may now have lost this diplomatic ground it had been winning.

But to see Mr Saddam's renewed aggression solely in terms of influencing debate around the Security Council table may be a mistake. Like most Middle Eastern leaders, his most basic motivation is to take whatever actions he deems necessary to remain in power. This, for 15 years, he has done with genocidal brutality, but with success – crushing Kurdish, Shia and any other domestic political opposition and of course, surviving ignominious defeat in the Gulf war and four economically ruinous years without selling oil, previously the fount of more than 90 per cent of Iraq's earnings.

But there have been recent clear signs that the regime may be wobbling under the accumulated effects of sanctions. Iraq is so short of food that government rations, on which most Iraqis rely for two thirds of their basic nutritional intake, recently had to be halved.

Rocketing inflation has driven all but Iraq's elite into penury. Army desertion

has become so rife that Mr Saddam recently ordered that deserters should have their ears severed. Similarly brutal punishments have been decreed for common criminals in what recent visitors to Iraq say has become a dangerously lawless place. There have been recent reports of Mr Saddam having to crush opposition within the army.

If such things have pushed Mr Saddam close to desperation, it is also the case that he has little room to manoeuvre. He may well consider a military adventure the best, perhaps even the only, means of reasserting his leadership and distracting opponents. At least one western diplomat in the region wondered over the weekend whether, having survived the Gulf war's allied bombardment, Mr Saddam might believe that inviting another war was his best hope of persuading the Iraqi people that the US, Britain and the west are the true enemies responsible for their suffering, while attempting once again to stoke up Islamic groups and anti-American feelings within the region.

According to Arab diplomats, there have been recent attempts to persuade Mr Saddam that his best hope for an eventual lifting of sanctions lay in sitting out UN

weapons monitoring programme for six months, formally recognising Kuwait's sovereignty and continuing to lobby fiercely for a humanitarian reprieve. Many influential Arab states, among them Egypt, might then have been able to rally strongly behind attempts to lift the embargo.

But Mr Saddam seems to have ignored this advice. The quality of independent information arriving to him in Baghdad is almost certainly worse now than four years ago. At the same time, Mr Saddam is clearly more desperate today than in August 1990.

Conventional wisdom among Arab and western diplomats, echoed widely in yesterday's Arab press, is that Mr Saddam is once again bluffing. One Saudi paper, al-Riyadh, even suggested the Iraqi leader was making a last defiant gesture before conceding to the recognition of Kuwait. "Fabricating a military situation is nothing more than prelude to more concessions," it said.

No-one doubts it would be folly for Mr Saddam to push his troops further south. Given his record, however, few observers can confidently exempt him from the capacity for folly.

## Washington takes no chances

By George Graham in Washington

Iraq's movement of around 14,000 troops to join the 50,000 or so it already has in position near its border with Kuwait has left US officials in considerable uncertainty.

No-one finds it easy to believe that President Saddam Hussein would try to repeat his 1990 invasion of Kuwait, particularly at a season when clear skies would leave his army, bereft of air cover, at the mercy of US and allied aircraft.

But no-one wants to take a chance on it.

"We can't afford to assume that this is just a bluff. That's why we're taking the actions we're taking," Mr William Perry, the US defence secretary, said on Saturday.

Those actions include sending 4,000 US troops to reinforce the Kuwaiti army – although this is clearly not a large enough contingent to repel a full-scale assault on its own.

More important, the US has moved aircraft and cruise missiles within striking range.

"We clearly have the capacity to go to downtown Baghdad," said Lieutenant General John Sheehan, operations director at the Pentagon.

US officials are anxious to ensure that Mr Saddam has not miscalculated President Bill Clinton's willingness to emulate the firmness his predecessor, George Bush, showed in 1990, or the degree to which the US military involvement in Haiti might limit its willingness or ability to respond to Iraqi aggression.

"I want to make clear one more time: it would be a grave error for Iraq to repeat the mistakes of the past, or to misjudge either American will or American power," Mr Clinton said on Saturday.

Although the Iraqi troop build-up in itself does not breach the terms of the ceasefire imposed after Operation Desert Storm drove the Iraqi

army out of Kuwait in 1991, the US is also anxious that Baghdad should not conclude that such threatening gestures are the best way to persuade the UN Security Council to ease its economic sanctions, notably a ban on oil sales, which remain in place today.

"If Iraq really is trying to say in some insistent way that what they want is relief from the UN sanctions, there is a clear way for them to achieve that relief: simply comply with the United Nations resolutions," Mr Clinton said.

Some diplomats suggest that Mr Saddam has concluded that the US, the UK and Saudi Arabia will never allow the sanctions to be lifted so long as he remains in power, regardless of the extent to which Iraq complies with the resolutions.

This may be true, though US officials tend to reverse the argument, and say they doubt that Iraq will ever comply with the resolutions so long as Mr Saddam remains in power.

Whatever the truth, Baghdad has never come remotely close to testing the hypothesis.

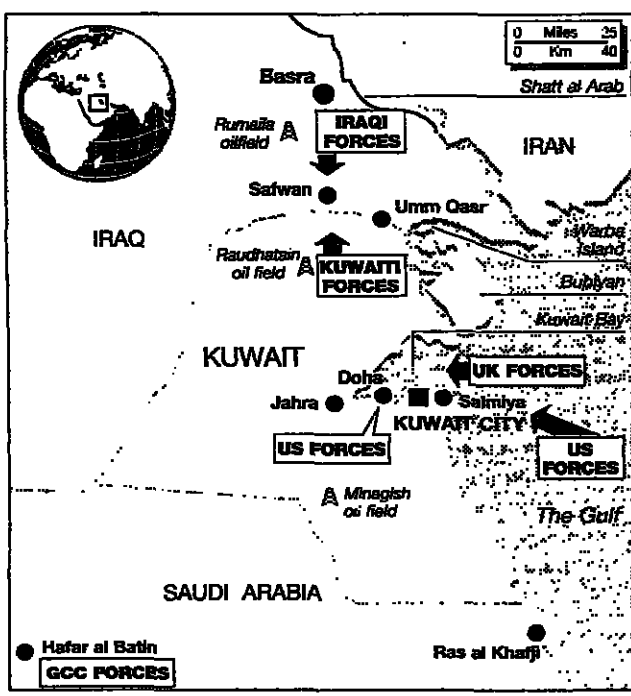
Although a system to monitor Iraq's weapons programmes has been set up – Mr Rolf Ekeus, the head of the United Nations special commission in charge of the monitoring, is due to report to the Security Council today – Iraq still refuses to comply with important segments of the UN resolutions.

Most notably, Baghdad still refuses to recognise Kuwaiti sovereignty or the border between the two countries mapped out by the UN.

The US, meanwhile, does not want to overreact to what may prove to be simply posturing, but wants to be prepared in case tension should escalate. The forces the Pentagon has moved to the region, though well short of the massive expeditionary force of Desert Storm, are believed to be enough to react strongly to any provocation.



Kuwaiti observers watching a maintenance crew position American-made M1A1 tanks at the Camp Doha base yesterday. About 500 military vehicles are stationed here for rapid deployment.



## Kuwait depends on US assistance

By Robin Allen in Kuwait

Iraq has deployed some 64,000 troops, including two of the seven divisions of its much vaunted Republican Guards, in an area 20 to 40 miles north of the Kuwait-Iraq border, according to US administration sources. Iraq has also moved a mechanised infantry division and some 200 former Soviet T-72 tanks into the area.

An artillery battery is also reported to be within range of Kuwait. Additional elements of another Republican Guard division are moving south from Mosul in northern Iraq.

According to senior US military sources, Iraq had rebuilt its army in the last three years to some 27 divisions, numbering 350,000 men backed up by more than 2,000 main battle tanks. US sources say the Iraqi

air force was "cut in half" in the 1990-91 Gulf war and Iraq's navy is said to be "negligible", while the same US sources have suggested that while Iraq's military is not the force it was in August 1990, it is still a "formidable military force relative to its neighbours".

It is particularly formidable when contrasted with Kuwait's military strength. Kuwait has called up reservists and sent some 20,000 men – thought to be its entire army – up near its border with Iraq, and moved up 50 tanks. A critical report last March from the national assembly said arms purchases of over \$5bn (£3.1bn) since 1991 have been made more for political reasons than for a sustainable military strategy.

The government has bought most of its weaponry from the US, and much of the new

equipment is so new that the army has yet to become familiar with it.

Kuwait is thus overwhelmingly dependent on US assistance. On Saturday the US announced it was sending 4,000 troops to Kuwait to join other US forces in or near the area.

These include 11 US warships in the Gulf, including an amphibious group led by the USS Tripoli with 2,000 marines. In all, the US has some 12,500 forces in the Gulf area, backed up by some 200 fighter aircraft, F-117 Stealth fighter bombers and A-6s reconnaissance planes using bases in Saudi Arabia and the Gulf. Arabia also hosts the GCC "Peninsula Shield" force, ground forces comprising 8,000 men.

Other US forces expected in the area soon include the aircraft carrier the USS Washing-

ton, on its way from the Mediterranean to the Red Sea; a military cargo ship sailed on Friday from Diego Garcia with more military equipment.

The US is the only country with which Kuwait has an agreement to preposition military supplies. Warehouses at Camp Doha, west of Kuwait city, contain enough equipment and housing to support a brigade of 5,000 troops.

The UK, in answer to a Kuwaiti request, has sent the missile cruiser HMS Cornwall to Kuwait. It arrived in Kuwait waters yesterday. Should the Iraqis try to invade Kuwait, the initial allied response would come from sea and air power already in the area, on advancing Iraqi ground forces. Judging from the experience of the Gulf war, the effect could be devastating.

## Citizens get in supplies for new war of nerves

The heavy dust haze that settled over the desert seemed to envelop Kuwait in a protective cloak. Amid the dust and the heat Kuwaitis quietly took precautions, alert to Iraqi troop movements on Kuwait's northern border. It is the latest chapter in a long war of nerves.

Over the weekend, Kuwaitis and other residents formed queues at petrol stations, more

Many companies and families, drawing on the experience of those who lived through the occupation, have in the last three years built false walls in their basements to hide their stocks, including food, valuables and emergency items such as water, torches, batteries, and blankets.

Few Kuwaitis expect an Iraqi invasion but many are unsure and all are relieved by the western and, above all, the US response.

But Kuwaitis need constant reassurance and scan television screens anxiously for updates on CNN and BBC. They are in a sombre mood as the time approaches for today's UN debate on the lifting of Iraqi sanctions.

They have no illusions about how exposed they are to Iraqi threats nor why the west is supporting them. One-half the size of Switzerland and with only 1.5m people, Kuwait would be insignificant were it not sitting on one-third of the world's proven oil reserves. Their very exposure, they say, is their strength.

Once again Kuwaitis have forgotten internal differences and rallied round the government, which they applaud for having signed bilateral defence agreements since 1991 with the US, Britain, France and Russia. But their concern goes far beyond the UN sanctions debate.

Sheikh Saud Nasser al-Sabah, the information minister, recently stressed the importance of Iraqi recognition of Kuwait's sovereignty and the border redrawn by the UN in Kuwait's favour.

Except for a brief period under a short-lived military dictatorship in 1968, Iraq has never recognised its border with Kuwait, drawn up by the British in 1930. But Kuwaitis have noted with concern that Iraq's deputy prime minister Tariq Aziz failed to address the question of recognition in his speech last Friday at the UN.

The UN sanctions debate only focus on the link between the lifting of sanctions and the destruction of Iraq's weapons capability. But Kuwaitis will not rest easy until Iraq accepts the existing border and Kuwait's sovereignty, and agrees to the return of several hundred Kuwaiti detainees inside Iraq.

There is stockpiling behind false walls in the basements but no sign of panic, Robin Allen writes from Kuwait

in a desire to top up than from any immediate panic. They stocked up with water and bought extra supplies from supermarkets.

They emptied many of the city's cash dispenser machines of dinars; "same as any other weekend," remarked one western diplomat yesterday.

Money-changers in the souk took advantage of banks remaining closed on Saturday as part of the Friday weekend to charge a small premium for US dollars above the normal exchange rate of KD0.3 to the dollar.

But when banks reopened for business yesterday morning the exchange rate had returned to normal, although one branch manager said the demand for dollars and other foreign currencies, and for transfers overseas, was abnormally high.

"What can you expect?" he asked. "You can never tell what Saddam Hussein will do." Civil aviation traffic, however, and all public services were unaffected by Iraq's intimidation: schools and offices continued to function normally.

On the flight from Dubai, which was full of returning Kuwaitis and visiting businessmen, an expatriate Arab who has lived in Kuwait for 23 years and stayed through the seven-month Iraqi occupation in 1990-91, suggested that Kuwaitis this time would stay put. "They are ashamed of what happened last time," she said, "and this time they are better prepared."

# THINK

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## NEWS: INTERNATIONAL

## Final scramble in US Congress

# Democrats win desert bill victory

By George Graham  
in Washington

US Democrats won one last victory in the closing hours of the congressional session on Saturday morning when they broke a Republican filibuster and passed a bill to protect 6m acres of southern California desert.

The bill has become a pawn in Senator Dianne Feinstein's campaign to hold on to her Senate seat against a well-financed attack from Republican Congressman Michael Huffington, who has poured millions of dollars from his family oil fortune into the election.

Senator Feinstein, who sponsored the desert protection bill, fought off the delaying tactics of Republican senators who had tried to deny her this campaign trophy.

In the last hours before members went home to campaign for the November 8 mid-term elections, Congress also passed a budget for the Securities and Exchange Commission which has had to shut down many of its operations since the registration fee on which it depends for much of its income expired on September 30.

It also agreed to a bill requiring telephone companies to install new software that will make it easier for government law enforcement agencies to eavesdrop on telephone and computer communications.

But other measures sought by the administration and the Democratic leadership, such as a safe drinking water law and legislation to set up a museum of African American history in Washington, failed to make it through Congress before the session ended. They joined a graveyard filled with the corpses of President Bill Clinton's efforts to pass laws on healthcare, welfare, telecommunications, toxic waste, campaign finance and lobbying.

Also, both chambers of Congress have had to agree to return at the end of next month for a rare post-election session to vote on legislation enacting the trade liberalisation measures achieved by the Uruguay Round of negotiations on the General Agreement on Tariffs and Trade.

The Californian desert bill was the 28th to face a Republican filibuster in this Congress session, an unprecedented use of delaying tactics which have generally been deployed only on big issues such as the 1980s civil rights legislation. Senators no longer have to talk non-stop to sustain a filibuster and can prevent a bill from coming to a vote unless its supporters can muster 60 of the Senate's 100 members to vote for an end to debate.

Democratic leaders were hard at work arranging charter flights to get senators who had already left for campaign events back to Washington in time for Saturday's vote. Senator Joseph Lieberman, an orthodox Jew, moved into a hotel near the Capitol so he could take part in the vote without travelling by car on the sabbath. Senator Carol Moseley-Braun, who cast the decisive vote, had to make a last-minute dash to the Senate floor after the door of her garage jammed.

If the Democrats were able to savour a final victory on the Californian desert bill, their prospects in the November 8 election, when all of the House and 35 of the Senate seats are in contention, still look bleak.

Mr Clinton today begins a series of campaign trips with a visit to New Jersey, where Democratic Senator Frank Lautenberg faces a strong Republican challenge, and flies tomorrow to Michigan to campaign for Congressman Bob Carr, who is trying to hold the seat vacated by retiring Democratic Senator Donald Riegle.

# Venezuela lenders look for action not words

Stephen Fidler on the government's reluctance to administer a dose of economic medicine

Venezuela's economic policymakers see themselves as a badly misunderstood group. They believe their country's deep social tensions mean they must avoid the abrupt imposition of market medicine on their ailing economy lest it spills over into popular unrest.

This justifies, they say, the return towards state control of the economy engineered by the administration of President Rafael Caldera in the face of a banking crisis and a subsequent run on the currency this year.

"None of us likes the controls. But there was a need for them at one moment," said Mr Carlos Bernardes, who is in charge of the government's privatisation efforts.

The controls on prices and foreign exchange transactions have been necessary in part, the government says, to retain popular support for the government as it tackles the economic crisis. "We have learned that we have to have an equilibrium between the economic and political aspects of our programme, to preserve a climate of social peace," argued Mr Luis Raúl Matos Azócar, an adviser to Mr Caldera and head of the new foreign exchange control board.

Even though the government has repeatedly said the controls will be phased out over the next year or so, it continues to be criticised. On the day members of the economic team appeared in London to talk about their economic strategy, the New York brokerage house Bear Stearns sent out to clients a critical research note arguing that foreign investors could no longer use the Venezuelan stock exchange because of the practical problems they faced in getting foreign exchange out of the country.

While now theoretically possible after a three-month delay, it remained practically impossible to repatriate currency.

"The procedural blockade posed by the repatriation requirement is a disaster," said analyst Ms Julie Dykstra. She was also critical of a package of measures recently put before Congress that included "the normalisation of intrusive executive powers."

The government argues that foreign exchange shortages are slowly being covered, and that the delays in obtaining foreign exchange are "administrative problems" which are being sorted out.

Nonetheless, the senior officials in London have admitted that some of their economic measures have put obstacles in the way of other objectives. Privatisation is an example. The government hopes to raise as much as \$3bn (£1.8bn) by the end of next year in privatisations, starting with the 2,000MW Planta Centro electricity generating plant this year.

The biggest element in this is the flotation of the government's 48 per cent stake in CANTV, the telephone company. Forty per cent of this was auctioned off in 1991 for \$1.88bn to an operating group led by GTE of the US. Yet now CANTV faces a host of problems - most caused by the government - which will tend to make it less attractive to investors.

Like other Venezuelan companies, it has been forced to seek a rescheduling of its foreign debts, because of the lack of availability of foreign exchange. (The government eased this

last Monday by granting CANTV \$19m for interest payments.) There have also been delays in government approval of tariff increases and a tariff structure now in place is regarded as unattractive for investors.

The officials say that when it becomes clear the controls are only temporary, the state companies will become a more attractive proposition to investors.

One other issue is the persistence of negative interest rates in the economy at a time when the government is anxious to build up foreign exchange reserves. Mr Ramón Espinosa, chief economist at the state oil company Petroleos de Venezuela, who

Mr Rafael Caldera, president of Venezuela, said at the weekend that his country was the target of a "detestable, perverse and anti-patriotic campaign" carried out by "certain sectors" through the international media. Joseph Mann reports from Caracas.

Mr Caldera who began a five-year term in February of this year, did not say what those "sectors" were. However he and other officials have indicated in the past that some supporters of former President Carlos Andrés Pérez, who was forced out of office in 1993, to have used the media to sully the image of the new administration. Official references to an international "campaign" have surfaced several times. Earlier this year, Mr Caldera said that Venezuelans who used the international press to attack the country were "traitors" and "criminals".

helped to orchestrate the latest moves in the government's economic strategy, explained that this a consequence of excess liquidity caused by the bank rescue. It is why inflation has proved stubborn, since people will buy goods to store rather than save money at negative interest rates.

The government needs now to mop up this excess liquidity - some 1,000bn bolivars, equivalent to 13 per cent of GDP. To do this, the bank rescue agency Fogade - which owes this amount to the central bank - will issue up to 400bn bolivars in bonds. It will sell assets of the banks it now owns, probably to the tune of some 40bn bolivars this year. The rest

should be absorbed by the issue of dollar-denominated bonds inside Venezuela, which will be guaranteed by future oil royalties. This should account for some 6 per cent of future oil revenues (assuming a \$12 a barrel oil price) or one half a per cent of GDP for seven years. By early next year, says Mr Espinosa, positive real interest rates should return.

The government has also been criticised for delaying what is seen as a critical decision - the raising of domestic petrol prices to close the budget deficit. Mr Luis Giusti, president of Petroleos de Venezuela, says the time is needed to work out a compensation programme for the 80 per cent of the people who use public transport. They use only 20 per cent of the petrol - some 160,000 barrels a day - while the rest is consumed by the minority that owns cars.

Furthermore, by introducing controls in the first place and then by seeking measures allowing wide scope for future interventionism, the government may have inadvertently put in place a longer-term deterrent to the foreign investment it now says it wants.



Caldera: gap with critics reduced

# Fujimori to run for re-election

By Sally Bowen in Lima

Peru's President Alberto Fujimori chose a Lima shanty town late on Saturday to confirm that, as widely expected, he will run for a second five-year term of office in the general elections scheduled for April 9 1995. The deadline for registering candidacies and running mates is tomorrow.

Backed by the parliamentary majority he acquired in the new Congress established in the wake of his constitutional coup in April 1992, Mr Fujimori rewrote the constitution last year to permit successive presidential terms.

Claiming that remaining in

office until the year 2000 was "the way to continue the work my government has carried out over the past four years", Mr Fujimori underlined his regime's successes in curbing inflation, combating terrorism and re-establishing relations with the international financial community. "Peru must not stop now," he said.

To the apparent enthusiasm of his shanty-town audience, Mr Fujimori said he was sure that "all Peruvians who feel themselves marginalised" would support him. The symbol of his "party" will simply be the number 95: apparently his original grouping, Cambio (Change) 90, is to be updated.

Early opinion polls give Mr Fujimori a commanding lead over his closest rival, Mr Javier Pérez de Cuéllar, the former UN secretary general. The only other individual candidate to show more than 5 per cent popular support so far is Mr Fujimori's estranged wife, Ms Susana Higuchi.

Ms Higuchi has mounted an aggressive campaign against her husband, basing her opposition on allegations of widespread corruption at high levels of government. At present, she faces a Peruvian legal ban on her presidential candidacy, although the Organisation of American States last week declared its support of her right to stand.

All the established parties, meanwhile, will present presidential slates and congressional lists of their own. A plethora of new movements has also been emerging over the past two weeks. By close of registration there could be almost two dozen candidates for the presidency.

This could make Mr Fujimori vulnerable in a run-off. Despite his consistently high popular standing, he will find it hard to obtain the 50 per cent required to avoid a second round, in which most of Peru's opposition parties are likely to throw their weight behind Mr Pérez de Cuéllar.

# Haiti army chiefs 'to quit today'

Haiti's military leader Lieut General Raoul Cedras and Army chief of staff Brigadier General Philippe Biamby will resign today at about 10 am, a source close to the Haitian army said yesterday. Reuter reports from Port-au-Prince.

He also said it appeared the two would leave the country and provisional president Emile Jonassaint would resign today but he could not confirm either event.

"I can tell you that it is confirmed that both Gen Biamby and Gen Cedras will resign from their posts tomorrow," said the source.

He said second in command Brigadier General Jean-Claude Duperval would take control of the military. Exiled President Jean-Bertrand Aristide, due to return to Haiti on Saturday, named Brig Gen Duperval to replace Lieut Gen Cedras in December 1993 and has given no indication he would withdraw the nomination.

Asked if Lieut Gen Cedras and Brig Biamby would leave the country, the source said, "it seems so". He said he could not confirm Mr Jonassaint would also resign today.

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Photographed by Andreas



## US push for Israeli deal with Syrians

By a correspondent in Jerusalem

US Secretary of State Warren Christopher will today launch an intensive effort to bridge the differences preventing an Israel-Syria peace agreement. He is hoping to build on the improved atmosphere created by an unprecedented interview granted by the Syrian foreign minister to Israel's state television at the weekend.

Mr Christopher arrived in Jerusalem yesterday at the start of a week that will see him shuttling between Jerusalem and Damascus, visiting Jordan and Egypt and making a trip to Kuwait. He played down hopes yesterday for a breakthrough on the Israel-Syria track but there are now clear signs of progress. Mr Christopher has already tentatively scheduled a return to the region at the end of this month or early in November.

The most obvious sign yet of Syria's determination to sign a peace treaty came on Friday when Mr Farouq al-Shara, foreign minister, gave a first full-length interview to the Israeli media, telling state television of his country's desire for "peace, tranquility, stability and prosperity" in the Middle East.

"We have to change the face of the region," he said, urging Israel to agree quickly to a peace deal involving the return of the Golan Heights.

The interview, conducted in a Washington hotel room, reportedly in the presence of Mr Dennis Ross, the US peace talks co-ordinator, was interesting also for Mr A-Shara's pledge that Syria would "pave the way" for an Israel-Lebanon accord once peace had been achieved with Damascus, and for his assurance that the Israelis "will be absolutely satisfied" with the consequences of a peace deal.

This was an apparent reference to the fully normalised, diplomatic, trade, tourism and cultural relations Israel has been demanding as part of an agreement.

While taking issue with Mr A-Shara's declaration that Syria had never shelled Israeli civilian targets, Israel's prime minister, Mr Yitzhak Rabin, cautiously welcomed the interview.

Privately, however, many government figures shared what seemed to be the general public reaction to the interview: that it had been something of a gimmick.

## Foreign minister ousted in Thailand

By William Barnes in Bangkok

Thailand's foreign minister, Mr Prasong Soonsri, has been ousted after a party squabble and replaced by Mr Thaksin Shinawatra, a prominent entrepreneur.

Mr Prasong, a tough former intelligence chief, was sometimes accused of handling delicate relations with neighbours in a devious manner, and failing to erase the notion that Thailand supported the Khmer Rouge in Cambodia.

His replacement, the founder of the Shinawatra Computer and Communications group, is an ambitious former policeman with no previous political experience. He started in business by selling computers to his own police department.

The leader of the Palang Dharma (Buddhist way) party, Mr Chamlong Srimuang, has pushed Mr Thaksin forward as part of a reshuffle of all the party's 11 cabinet seats in the ruling five-party coalition's administration.

The former president of the Bangkok Bank, Mr Vichit Surawongchai, replaces Mr Winai Sompong, as minister for transport and communications.

Mr Chamlong fears his party has been overshadowed by the ruling Democrat party in the two years since the last election. Mr Chuan Leekpai, the prime minister and leader of the Democrat Party, has said he will not interfere with the PDP reshuffle list which was given to the Democrats yesterday.

In September Mr Chamlong engineered his return as overt party leader for the first time since 1992. His religious faction which claims high moral principles also took control of the party executive. Mr Chamlong will enter the cabinet for the first time as a deputy prime minister, replacing former party leader Mr Banchu Ratanastien.

He is expected to strive hard to bolster the party's Bangkok power base particularly by trying to ease the capital's traffic jams.

However Mr Chamlong's dictatorial management style could upset his coalition partners, especially since they will not want to see Palang Dharma be made the saviours of Bangkok by solving the transport crisis.

The move may, however, improve the chances of the Tanayong group's elevated railway being completed.

# Dishonoured cheque shakes economy

In Taiwan's informal system, a small default can make big waves, reports Laura Tyson

Last week's precipitous drop in Taiwan share prices demonstrates how quickly a relatively minor missed payment could escalate into a state of defaults in financial markets that thrive on rumour and black market borrowing.

Taiwan authorities appear to have largely arrested the damage from T\$7.6bn (\$184.3m) in share payments defaults which sparked a 7.8 per cent index tumble between Wednesday and Friday - Saturday's 6.13 per cent fall in the index was blamed on a different cause, rumours from Beijing of Deng Xiaoping's death.

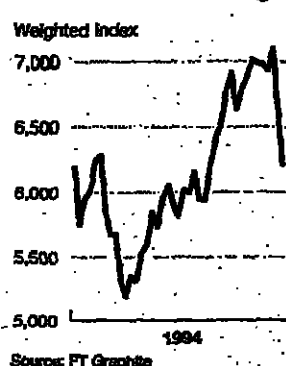
Presented with an inadequate formal banking system, the financially sophisticated Taiwanese resort to a panoply of informal financing techniques ranging from relatively innocuous "mutual savings societies" to underground lending by financial intermediaries referred to as jinchu or "money-lords".

A sudden calling-in of loans by these "money-lords" fuelled the sell-off in the stock market. Much of their money is channelled into securities and their large backers, including politicians and otherwise respectable companies, became nervous and wanted quick repayment.

Taiwan remains an economy which runs on cash and post-dated cheques. The importance of cheques in the financial system is such that the ratio of dishonoured cheques to total cheques issued, both dollar amount and number, is published monthly by the central bank and is watched closely as an indicator of economic health.

Companies commonly take deposits from employees and shareholders and pay above-market rates of interest to obtain funds to finance their day-to-day operations. Last month, the chairman and chief financial officer of listed

Taiwan stock exchange



Source: FT Graphics

Tatung, one of Taiwan's biggest electrical appliance manufacturers, were convicted of taking US\$390m in illegal deposits in violation of banking laws.

At the centre of last week's upheaval was a securities brokerage controlled by the Hsueh Group, a textile and financial services conglomerate run by Mr Oung Ta-ming. The brokerage, Hung Fu Securities, had failed to honor a \$200m cheque on Tuesday, prompting a rash of rumours and a string of defaults involving 27 domestic brokerage firms.

Mr Oung is not only one of Taiwan's richest businessmen and the most prominent player in the stock market but an influential independent legislator in the country's parliament. He is a member of the parliamentary finance committee and has the support of an estimated 30 lawmakers in the 161-member body.

Last week, regulators moved to restore calm amid panic share sell-offs by promising to meet defaulted payments out of fund established with contributions from all brokers in the wake of a similar crisis in late 1992.

The incident highlights the fragility of the financial system's regulatory framework



Oung Ta-ming: biggest name on Taiwan's stock market

and its inability to cope with the underground financial markets.

Other problems are the dominant role played in the financial system by institutions controlled by the government and the ruling Nationalist party, and the close but difficult to

define relationship among the government, business and the underworld.

These ties have arguably been enhanced by the advent of democracy in Taiwan over the past decade, which has prompted some politicians to offer favours in return for contributions to their election campaigns. However, senior financial officials are keenly aware of the issues at stake.

Mr Liang Kuo-shu, governor of the Central Bank of China, has warned: "We have to be very careful to prevent too much concentration of economic power in the hands of a few groups. Actually, you can see all the same faces controlling much of industry and finance."

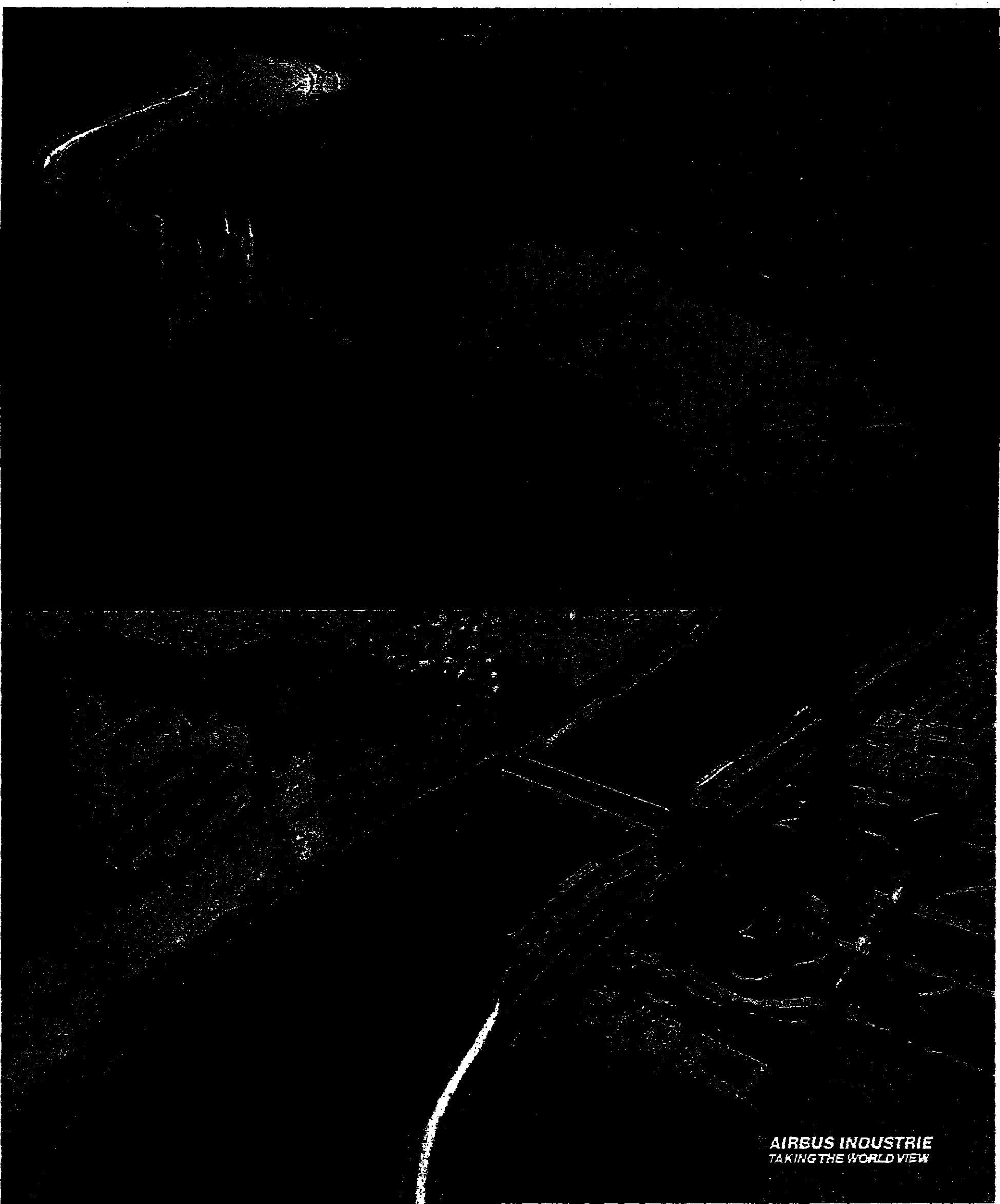
Bringing the unofficial financial markets into line will be difficult. Office workers and blue-collar workers commonly join savings clubs known as "hui" in Chinese to raise funds to pay for a wedding, put a downpayment on an apartment or invest in the stock market.

Then there are the money-lords, which finance share and property speculation requiring larger sums. There are very roughly a dozen jinchu in Taiwan backing some twenty or thirty major market players such as Mr Oung.

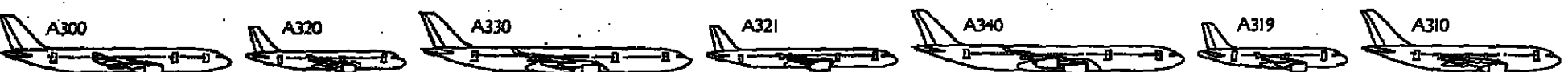
The money-lords take funds from companies or wealthy individuals wanting a higher return than banks offer. Interest rates start at 2.4 per cent per month and borrowers delay payment at the risk of more than their material assets.

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### WORLD ELECTRICITY

London, 7 & 8 November 1994

The 1994 FT meeting, arranged jointly with Power in Europe, will consider how utilities are responding to a more competitive environment: review developments in a number of key markets and discuss new fuels and new technologies in power generation. Speakers include: Norman Stumway, California Public Utilities Commission, Richard Colvett, The National Grid Company, Marc Lehoucq, Electricité de France, Northwest Laboratory, Ian Brown, EC Energy Centre, Budapest; Vika Brown, Cogent Europe and Marcus Nardin, World Fuel Cell Council.

### NINTH EUROPEAN PETROLEUM AND GAS CONFERENCE

Amsterdam, 15 & 16 November 1994

This years meeting, held to coincide with the Petro Tech 94 Exhibition, will focus on European oil refining and the market to the year 2000, considering current and future European capacity, new refinery investment and environmental issues. Speakers include: Youssef Tassoulet, International Energy Agency, Phil Turner, BP Oil International, Mohammed Salah Shalsh, The Bahrain National Oil Company, Dr Leonard Magat, Tesco Limited, Gilbert Pons, ECOMA, Chris Bader, The Coase Maritime Bank and James Duggan, BP Energy Limited.

### THE PETROCHEMICAL INDUSTRY - PROSPECTS FOR THE MID-1990s AND BEYOND

London, 21 & 22 November

The 20th FT petrochemical conference, arranged in association with Chemical Matters, brings together a most authoritative panel of speakers to discuss global prospects for the key industrial sector. Speakers include: Bob Wilson, Exxon Chemical Europe Inc, John Rantawat, Borealis Holding AG, Mohamed Alami, SABIC Europe Ltd, Nymn Tse Kim, Yokohama Chemical, Bryan Sanderson, BP Chemicals and James FOG, Amoco Corporation.

### DOING BUSINESS WITH SPAIN

Madrid, 23 & 24 November 1994

The FT's 34 conference, to be arranged with Expansion and Acquired Economics, will take place as its theme: Spain Competing in Europe, focusing in economic recovery, competition and marketing markets. Speakers include: D. Pedro Solbes Aza, Spanish Minister of Economy & Finance, D. José María Aznar, Partido Popular, D. Miguel Martín Fernández, Banco de España, D. José Antonio Grinda Martínez, Spanish Minister of Labour & Social Security, D. Alberto García Arredondo, Gestión, D. Teodoro del Pozo, ST Telecommunications SA, Mr Bernard Duron, Saini Lous Group SA, Professor Pedro Nuño Nieto, IESE.

### VENTURE FORUM EUROPE '94

London 1 & 2 December 1994

Arranged jointly by the Financial Times and Venture Economics, this annual meeting brings together leading experts from Europe and North America to discuss key issues facing the industry, identify the investment strategies and assess how institutional investors now view venture capital as an asset class.

### WORLD TELECOMMUNICATIONS

London 6 & 7 December 1994

The Financial Times annual conference will review the driving forces changing the shape of the World Telecommunications industry. International alliances, competition and opportunities for equipment manufacturers in a liberalising market. The international panel of speakers includes: Dr Michael Nelson, Special Assistant for Information Technology, The Office of Science and Technology Policy, US, Dr Martin Bergmann, Member of the European Commission, The FT, Mr Lou Young of Graham, Executive Chairman of Cable and Wireless, and Dr Hans Bas, Member of the Board, Siemens AG.

### BIOTECHNOLOGY - A REVOLUTION IN THE MAKING?

London 13 & 14 December 1994

This high level meeting will review current developments in biotechnology and assess the future prospects for the sector. Speakers will include: Robert G. Lusk, Biotechnology Industry Organisation, Dr Jürgen Drews, Hoffmann-La Roche Inc, Steven Burt, Organon, Professor Dr Hans-Joachim Schramm, Bayer AG and Yeh Yung See, Singapore Bio-Sciences Pte Ltd.

All enquiries should be addressed to: Financial Times Conferences, P O Box 361, London SW12 9PL, UK. Telephone: 011 472 8000, Fax: 011 472 1335.

## NEWS: UK

# Industry leaders press for budget stimulus

By Andrew Baxter

Leaders of seven big industry associations have signed an open letter to Mr Kenneth Clarke, chancellor of the exchequer, urging action in next month's budget to stimulate permanently higher levels of investment and improve the UK's competitiveness.

The letter marks the first time manufacturing industry has banded together to make a united plea for tax incentives and other steps to

stimulate investment.

Timed to reach the chancellor before this week's Conservative party conference in Bournemouth, it is part of a campaign to keep manufacturing on the agenda in the run-up to the budget.

The letter is based on an initiative this summer by the Machine Tool Technologies Association. The other six organisations backing it are the Confederation of British Industry, the Engineering Employers Federation, the Society of Motor Manufac-

turers and Traders, Metcom (the Mechanical and Metal Trades Confederation), Beama (the federation of British Electrotechnical and Allied Manufacturers' Associations), and the Federation of the Electronics Industry.

The letter says investment levels in the UK had been lower than in most other industrial countries for most of the last 30 years.

Without permanently higher levels of investment, it says, the UK faced "the prospect of further boom and

bust cycles of the kind we have so often seen and suffered from in the past."

The industry associations want the chancellor in his budget to:

- introduce full first-year capital allowances for at least the first £200,000 of plant and machinery. This, they say, would particularly benefit smaller companies;
- index-link existing capital allowances for plant and machinery;
- reform capital gains tax for holdings of corporate equity, with the

rate reduced according to the period for which the investment has been held. This, they say, would encourage investors to take a longer-term view;

● at least maintain spending on transport infrastructure, education, training and export support in real terms, within a controlled public spending total.

Some of the organisations have made their own budget submissions. But the united plea on investment is a reaction to past disappointments

when they campaigned separately – notably on capital allowances, where a limited, temporary scheme was allowed to lapse last year.

Mr Graham Mackenzie, the EEF's director-general, said the seven associations hoped to meet the chancellor after the party conference.

The letter comes as a report on medium-sized businesses in the north of England says many companies face a difficult path back to the high levels of profit, investment and employment enjoyed in the 1980s.

## Aid offer to Ford over new Jaguars

By Kevin Done, Motor Industry Correspondent

The government has offered a financial aid package worth tens of millions of pounds to Ford, the US carmaker, in an effort to persuade it to build a new range of Jaguar cars in the UK rather than the US.

The Department of Trade and Industry said yesterday: "We have made an offer and we are discussing the details."

Ford which took over the UK luxury carmaker for £1.5bn at the end of 1989, has been preparing for the last couple of years a project to build a new range of smaller Jaguar sports saloons. A formal decision to go ahead is not expected to be given until next year.

Codenamed X200, the new car would be an addition to the Jaguar range and would more than double output to over 100,000 cars a year by 1998-99.

The government was forced earlier this year to provide around £9.5m in selective regional aid to persuade Ford to build the successor to the Jaguar XJS at Jaguar's Coventry plants, rather than at a Ford plant in Portugal. Codenamed X100, that car will go into production in the summer of 1995.

Mr Alex Trotman, Ford chairman and chief executive, said last week that the £9.5m aid for the X100 "would pale by comparison" with that needed to ensure that the X200 sports saloon is built in the UK.

The range is being developed as a derivative of DEW98, one of the US carmaker's latest car projects, which is expected to lead to a new range of executive/luxury cars to be produced in north America, most probably for sale under the Lincoln/Mercury brand names. They would compete with luxury cars from BMW and Mercedes-Benz of Germany and makes such as Toyota's Lexus.

Mr Trotman said one of Ford's US plants "could build Jaguars just fine. We have some of the best quality factories in the world in the US."

## Superquarry caught in centre of debate

James Buxton examines the fierce row over the proposed destruction of a Hebridean hillside

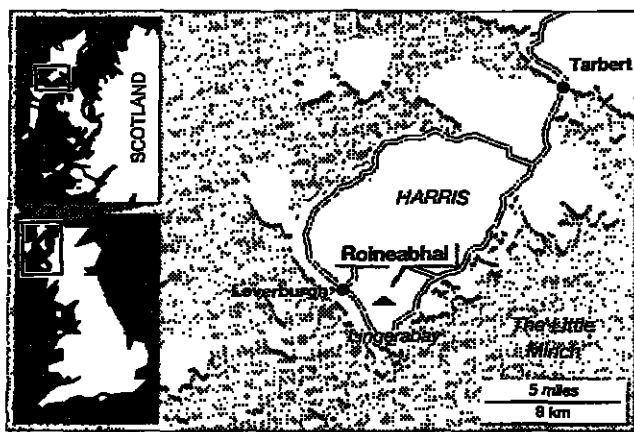
The eastern side of the island of Harris in the Outer Hebrides is a broken landscape of low rocky hills, tiny lochs and jagged indentations from the sea.

Few people live here, because apart from a little fishing and sheep farming there is almost nothing for them to do.

One of the hills, near Lingerabay, consists of a rock called anorthosite, in strong demand for use as aggregate in construction and road building. Tomorrow a public inquiry starts into a controversial plan by Redland Aggregates, part of the Redland construction group, to establish a quarry at Lingerabay and extract 600m tonnes of anorthosite in the next 60 to 100 years.

The scale of the project justifies the term superquarry. The eastern side of a hill named Roineabhal will gradually be scooped out and shipped away. Eventually the hillside will give way to a man-made sea loch. The quarry will cover an area of more than 1 sq m.

The superquarry has the support of Western Isles council which is "minded" to give planning consent to Redland. But Mr Ian Lang, the Scottish secretary, has ordered a public inquiry because of the environmental and economic issues that the project raises. The



hearing is set to go on into next year.

Redland says Lingerabay is the best of more than 40 sites in Scotland for mining a badly needed commodity when there is a shortage of feasible quarrying sites in England and Wales. It says the quarry, which will initially employ 25 people, rising to between 50 and 100 at full production, will give "confidence and hope to a visibly declining society in south Harris".

The issue of the superquarry, over which the 5,000 people of Harris are divided evenly, boils down to whether mineral extraction is the kind of activity which will arrest the

decline in the population, or whether its environmental effects will cause further damage to a fragile economy.

The most authoritative objector is Scottish Natural Heritage, the government's conservation agency, whose opposition made the public inquiry inevitable. It says the quarry, in an officially designated national scenic area, would have an unacceptable impact on its "scenic qualities and character".

It would create a scar on the landscape visible from Skye, 20 miles away – though it would be shielded from the rest of Harris – and would inflict noise, dust, vibration from

blasting, traffic and waste disposal, so damaging the interests of those dependent on Harris's reputation as "a pristine tourist destination". Aggregate could be better obtained from other sites in Scotland, or from superquarries in Norway.

This attitude infuriates some residents, who point to the decline in the population and the desperate shortage of economic activity in Harris. At a recent public debate Mr Kenneth Matheson, a crofter, complained that the agency was giving wildlife and plants priority over people.

A local doctor said that last year in the northern part of the island only eight babies

were born but 50 people died. The population, he said, was set to halve in the next 25 years.

But Mr Ian Callaghan, a merchant banker who moved to Harris nearly five years ago to run a small hotel, believes the scale of the project is too big for the island to absorb. "The things we have here – like community values, lack of crime, peace and quiet – are beyond price," he said.

Redland last week agreed to pay £15,000 a year or 1p per tonne of rock removed, whichever was the greater, into a community trust fund for local people once production started, probably at the turn of the cen-

tury. At the 5m tonnes a year which Redland hopes to achieve by 2005, that would amount to £50,000 a year.

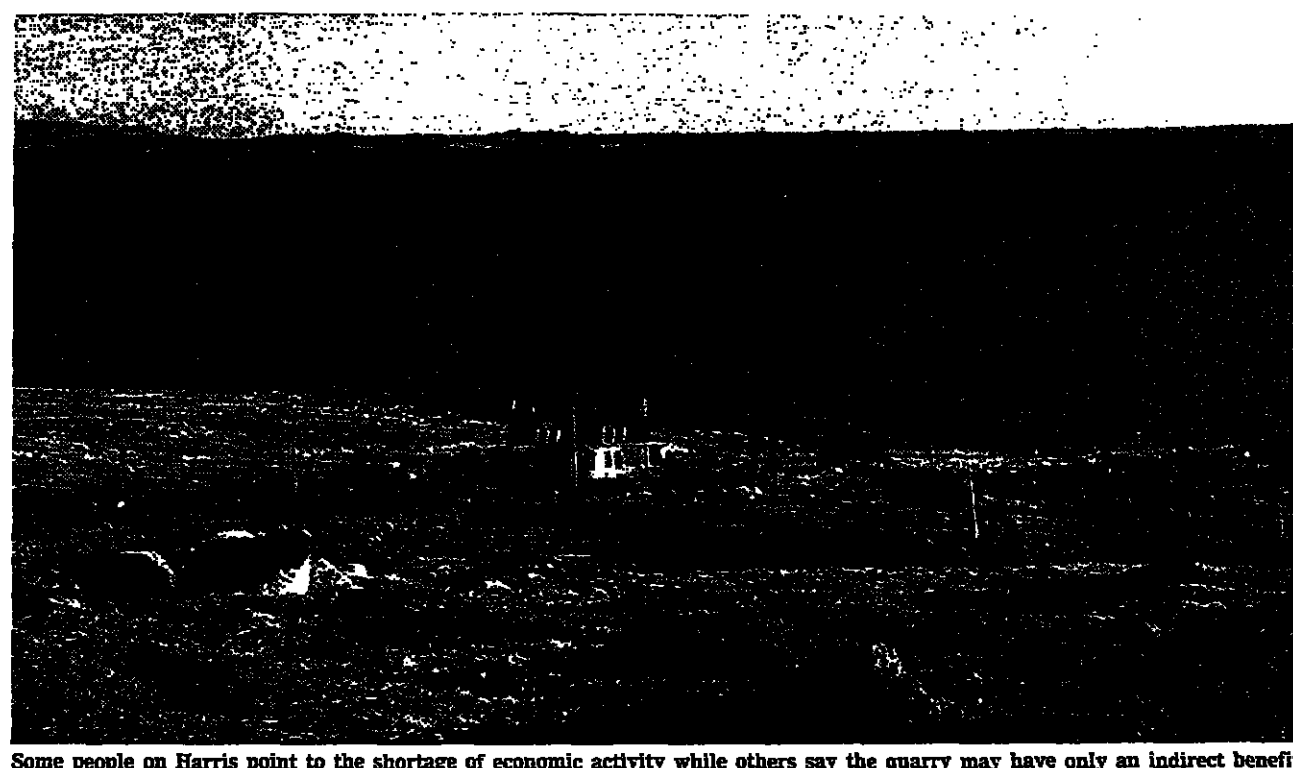
The company is anxious to convince islanders that it will suppress dust emission from the site by spraying water and will ensure that ballast water pumped out of bulk carriers before they load from the quarry does not damage the rich prawn grounds off south-east Harris.

Yet some people doubt whether the quarry, if it goes ahead, would directly benefit the indigenous population. The numbers it would employ would not be high, and in spite of Redland's commitment to

hiring the majority of its workforce from the locals, it could be in for a disappointment.

One Harris man who has employed people on the island for 18 years said: "You can't rely on the Harris crofters as a workforce. They sign on for a job but then take a week off to dip their sheep or dig peat. They don't want jobs, they've got their sheep and their dole and their whisky. There's a few good workers and their employers will want to hang on to them."

Redland, he concluded, would have to bring in its own labour force. That might benefit the island's economy only indirectly.



Some people on Harris point to the shortage of economic activity while others say the quarry may have only an indirect benefit

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# Business lessons on the timetable

Companies should aim for more efficient links with education to improve the supply of skilled employees, their quality of life and employability, finds John Authers



PIONEERS AND PROPHETS

## Elton Mayo

The Australian-born pioneer of industrial sociology, is credited with instilling the "human factor" in management theory.

The legacy of his ideas is evident in many modern management theories that stress communications, corporate culture and leadership.

Although Mayo's most important work took place at Harvard, where he remained until two years before his death in 1949, his work on industrial management drew on an eclectic early career.

Born in 1880, his career spanned medical training in London and Edinburgh, a partnership in an Adelaide printing company, teaching mental and moral philosophy at Queensland University and pioneering work on the psycho-analytic treatment of shell-shock during the first world war.

He transferred some of his ideas relating to nervous problems to industry, arguing that: "So long as commerce specialises in business methods which take no account of human nature and social motives, so long may we expect strikes and sabotage to be the ordinary accompaniment of industry".

His best remembered work arose from the lighting experiments known as the "Hawthorne effect", which took place at the Western Electric company's plant at Hawthorne, Chicago. The researchers set factory lighting at different strengths to discover what would have the greatest effect on productivity. The light was brightened for one group and left unchanged for another. The result was an enigma: both groups increased their production. Subsequently, Mayo found that any change to the workers' conditions led to a rise in output.

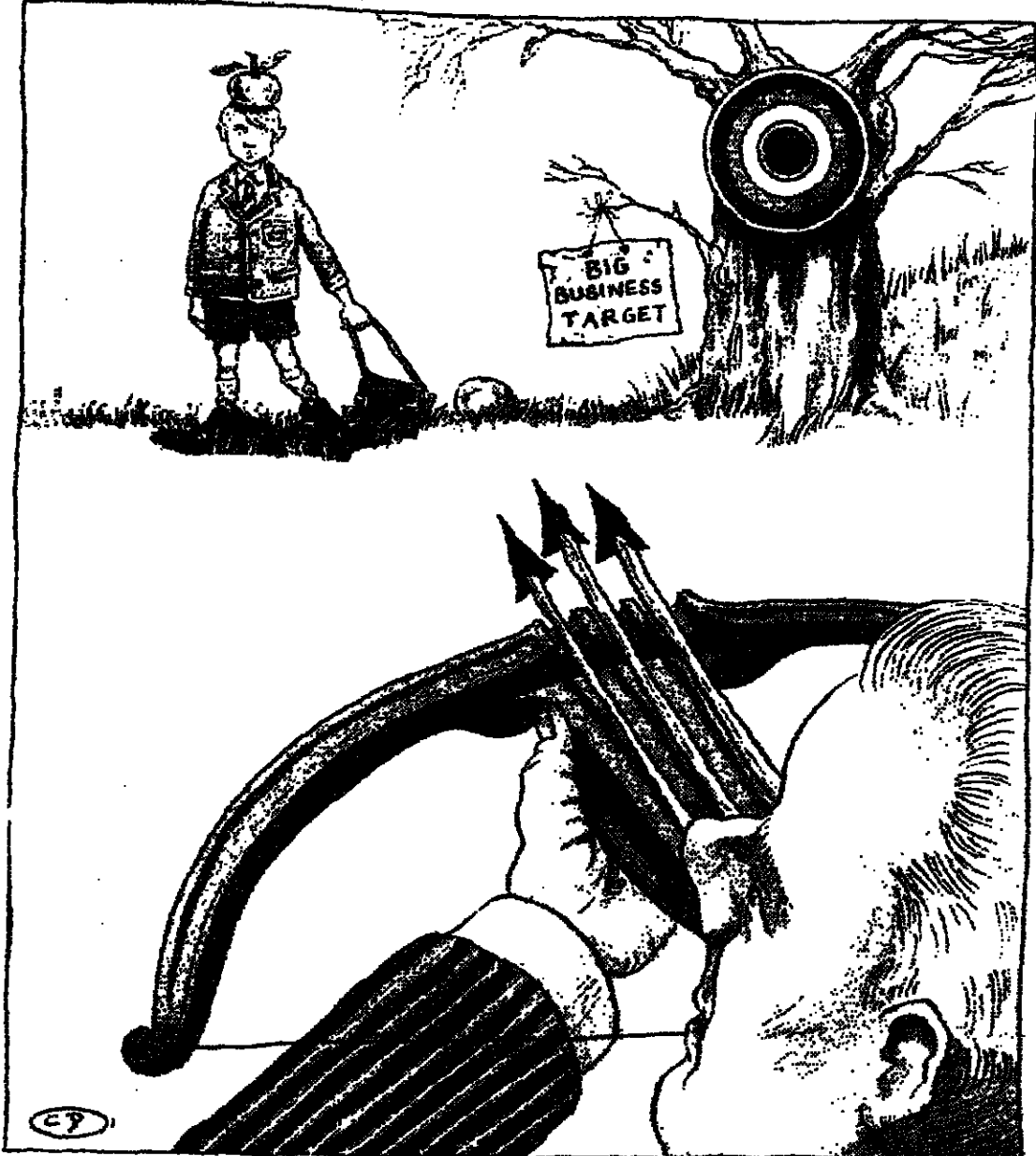
Mayo concluded that the employees had gained in work satisfaction by the attention lavished on them and by the co-operation between informal groups in the workplace. He argued that the main objective of management was to encourage co-operation and team work among employees.

"Worker-management conflict may be due less to ostensible reasons for the dispute such as tea-breaks or insufficient light, than emotional attitudes," he said. Workers were ruled by the "logic of sentiment", while managers were moved by the "logic of cost and efficiency".

However, David Collinson, a lecturer in organisational behaviour at Warwick University, describes Mayo's ideas as a "paradox". Mayo's stress on communications and good personal relationships appears to be a more humanistic philosophy than for example, the "scientific management" principles espoused by Frederick Taylor. But it can be criticised for its patronising view of an irrational workforce and its supposition that conflict can be sorted out by improving communications between management and workers.

Nonetheless, Collinson concedes that Mayo's work "has a relevance today". The "Hawthorne effect" remains widely cited by academics. And consultancy projects continue to be influenced by the idea that workers want recognition, security and a sense of belonging.

Vanessa Houlder



## Teaching service, not servility

Across the world young people equate the service industry with "servility", according to American Express, whose business is critically reliant on travel and tourism, has responded with an ambitious programme of investment in education, tightly controlled from its New York headquarters.

John Petersen, a director of Amer's European division, outlined the extent of the problem. He said: "Europe's population is declining and there's a high staff turnover already in the industry as a result of its poor image. This is creating growing shortages of skilled labour."

Young people's perception of the industry existed, he said, partly because education was "ill-adapted" to the industry's needs. Thus it failed to provide the necessary pool of skilled labour, even while unemployment was rising.

Amer's European response is carefully modelled on an approach pioneered in New York, where the company has created a foundation to deal with its philanthropic activities in the US and elsewhere.

Local Amer managers play a role in implementing programmes in their areas, according to Donald Hirsch of Warwick University, but

always under the financial control of the corporation.

In the US, Amer decided to focus on pre-vocational and vocational programmes for secondary school pupils. They chose to do this by setting up, with the investment bank Shearson Lehman Hutton, an "academy of finance" in a state high school in New York.

It offered a curriculum tied to the last two years of compulsory education, organised thematically around careers in the financial services industry, but also including more general programmes in subjects such as maths. Teachers, as well as pupils, were offered opportunities to learn more about the industry.

By 1989, the academy of finance had spread to 35 schools in 17 cities. A smaller operation, the academy of travel and tourism, started in Miami and New York in 1986.

In the UK, Amer's first educational involvement was modelled directly on the US experience, with an attempt to start a travel and tourism academy, in conjunction with several hotel companies, in the London borough of Ealing in 1986.

But it soon found it was necessary to tailor the programme to the UK's more specialised school

curriculum, where pupils study a limited number of subjects for GCSE exams from the age of 14. Rather than operate academies, the company developed the syllabus for the new GCSE subject of "travel and tourism".

It also sponsored printed curriculum material and textbooks to help teachers deliver the courses. Amer accepts this will not produce directly quantifiable benefits. But with 50,000 pupils taking the GCSE exam in England each year, it is confident its development can only help the industry.

Amer has also adapted its programme to the needs of other markets. In Ireland the syllabus includes history and literature - in line with the country's approach to attracting tourists; in Hungary the programme accentuates skills which had not been fostered by the communist regime, such as entrepreneurship and building personal and social skills for dealing with customers.

According to Hirsch, Amer's centralised approach to the programmes "does not create dirigisme so much as a broadly common set of standards for controlling spending, and a set of local managers who identify with the central ethos".

Growing concern that education systems are failing to deliver a sufficient flow of good quality business recruits has been voiced around the world for several years. Companies are now more prepared to do something about it.

In the UK, the greatest worry is a lack of scientists. Provisional figures suggest that UK universities have failed to fill all the places available on science degree courses this year, despite reducing the academic attainment targets required from applicants.

Research by Motorola, the US-based electronics group, and Cell-net, the UK mobile telephone operator, suggests that schools and teachers are exacerbating this problem. It found that 85 per cent of teachers thought students found science and technology difficult. Only 29 per cent of the students agreed.

Evidence like this has persuaded a growing number of companies to invest directly in education. In the UK alone, a survey by the London School of Economics shows that 80 per cent of UK companies intend to continue or extend school links in the next three years. Since 1988, 57 per cent of companies have increased their involvement with secondary schools.

However, the Confederation of British Industry is concerned that this activity - which is new territory for many businesses - is being managed inefficiently. This month it published a new code of practice on education-business links - including involvement in preparing curriculum materials and work experience for pupils - and launched a campaign to persuade all its members to build such links by the year 2000. It also wants all primary and secondary schools to establish relations with at least one business.

The CBI also advised companies to use performance indicators to measure their educational involvement. Only 14 per cent of the companies surveyed by the LSE did so. This is not philanthropic. The CBI believes that the links will not merely improve the long-term supply of recruits. In the shorter term, companies can teach new skills to existing employees and use the experience of students involved in enterprise projects to experiment with management techniques.

"Employees - as much as students - should participate in links to improve their quality of life, their employability and their specific skills," it says.

Such a strategy would also help attract and retain recruits. Graduates, in particular, are now looking for employers who can provide extra skills, rather than a secure job or a large salary.

A conference held last month in London by the Student Industrial Society, which promotes industrial careers to students, found that students overwhelmingly looked for companies to teach them "marketable, transferable skills", with 81 per cent saying they would expect this of any company. More traditional concerns were far less important, with only 11 per cent expecting companies to deliver a "career for life".

The CBI's proposals on "best practice" are influenced by experience from the US, outlined at the International Conference on Education-Business Partnership in Paris earlier this year by David Stern, a researcher with the Organisation for Economic Co-operation and Development. Stern identified three "stages" of links between businesses and schools and a momentum which leads each to develop into the next.

These are:

**STAGE 1** Resources for Education At this level, support for education is a sophisticated form of public relations. Companies provide materials free of charge, in return for positive publicity, or send employees to give talks to schools. This satisfies employers' basic "enlightened self-interest".

However, these partnerships soon become more complex, as they do not give students actual experience of working, and do not teach them how to use the workplace as a "place of learning".

**STAGE 2** Placements for Learners Employers allow students work experience in return for low wages. Several continental European nations have highly developed "dual" training systems where trainees spend most of the week in supervised training with the company, but also spend time at a state-funded school, studying general theory to back their vocational work.

In the US, the trend is more towards "career academies" set up within schools, of which there are now around 150 (see accompanying piece). Each academy is organised as a "school within a school", allowing a group of students to take a distinct sequence of courses together, and covers a broad vocational theme, such as health, or computer-related jobs. Narrow trade specialisms are avoided.

These academies are used by their host schools to enlist active involvement from local employers, who help to formulate the curriculum, serve as mentors and offer

work experience. Growth of these academies was encouraged by the School-to-Work Opportunities Act signed by President Clinton in May.

However there is a problem, according to Stern, that students in career academies or apprenticeships are "mainly trying to become part of the workplace as it is", and not "to change the way work is done". This has led, he says, to the evolution of a more ambitious level of business-education partnership.

**STAGE 3** Support for Model Workplaces Under this model employers help educational institutions to carry out productive activities which can serve as "laboratories" to develop techniques for the learning organisation. The goods or services are then put on sale to people other than the students involved.

Such programmes are common at university and graduate level - for example students staff teaching hospitals or produce law review journals. Stern's research for the OECD shows that 19 per cent of US secondary schools have at least one school-based "enterprise". US examples involve students in building houses and running restaurants. Similar schemes are emerging in Australia and Denmark.

Stern believes these enterprises provide better learning experiences for the pupils than work experience in real companies, as there is less danger of being left with simple repetitive tasks with low educational value. As such enterprises need not have to make a profit, they can afford to allow students to work slowly and carefully, learning from mistakes. In this way they can also experiment with new production and management techniques.

One US hotel, for example, is considering using its school enterprise to experiment with skill-based pay, while students operating a retail outlet in a commercial shopping centre have been divided by teachers into teams with different areas of responsibility. Each team is judged by a series of performance measures, including profitability, service and prevention of theft.

According to Stern, this might provide useful lessons to neighbouring commercial retailers, who have been slow to introduce the principle of team organisation.

As Stern's OECD report concludes: "By supporting school-based enterprise, employers might learn a lot."

*"Creating a learning community: a CBI review of education-business links" CBI Publications Sales, CBI Centre Point, 108 New Oxford St, London WC1A 1DU. £20 (£10 to CBI members).*

# Bumping into office etiquette

By the time you read this, I will be sitting at home with my feet up enjoying the first week of a long holiday. Normally I would refer to this period as maternity leave, but this holiday is the term that a senior colleague used the other day. It was, he now assures me, an unfortunate slip of the tongue, which he would never have made had he not been so weighed down with work. I accept his excuses, yet take his embarrassment as evidence that pregnant women present a problem of office etiquette.

From next week UK law will be changed, so that employers will no longer be able to fire pregnant women, nor refuse maternity leave if they have not worked there for two years. Yet changing the rules may prove simpler than teaching men how best to behave around their building workmates.

Initially I had planned to write an etiquette guide to help them out. But the more I thought about it, the more I realised it was an impossible

task. Some women love to be fussed over, be made to sit down and brought cups of tea. Others wish to have their growing girls ignored and view any remarks as a slight on their professionalism.

You have to feel sorry for men who are trying to deal with the situation sensitively. What ever they do they cannot win. I find myself irritated when business contacts I scarcely know ask me whether this is my first child and then tell me all about their own families. Equally, when I waddled into a meeting with a stomach the size of a watermelon I was put out to have my condition unremarked upon.

To complicate matters further, a remark that is acceptable from one man may be out of order from another. Lord Weinstock has not only committed the sin of interrogating me about my family, he has reprimanded me for sitting in his office when I should have been at home with my children. Instead of kicking him, I was amused, charmed even.

## LUCY KELLAWAY



Still, there are a few rules that can be applied in most cases:

● Never touch. This should go without saying, yet at least one colleague has approached my belly and outstretched.

● Never ask anyone if they are expecting, unless they are unmistakably pregnant. The chances are they have just put on weight.

● Do not immediately ask pregnant women if they are returning to work afterwards. This implies you have shunted them into a non-serious class.

● As the bulge gets larger and larger, try not to look alarmed. It is annoying to be told that you should

be in hospital when you still have several weeks to go.

On the subject of friction between the sexes at work I seem to have irritated quite a few fathers by saying last week that mothers make great managers. To set the record straight, I meant that anyone who has put in the hours civilising children will have learnt a few management lessons. If I didn't pay lip service to the New Man, it was because I assume there are not many of them about, especially not among Financial Times readers.

Even so, maybe I should have mentioned fathers. One management consultant has written to me explaining that the modern manager is not complete unless they play the parts of both mother (rich in instinct and feeling) and father (strong on intellectually justifiable analysis). It is my turn to be irritated again.

We have seen management consultants take over big business, the BBC, the health service, schools... there can barely be a private or public sector organisation left that does not use them. But still consultants are not satisfied. Now they want to take over the reins of government. In a letter to the FT last week, the head of Bain & Co pointed out that all the main UK political parties have the same strategy, but all are useless at implementing it and hopeless novices when it comes to management. So let's get rid of politicians and

have management consultants instead. Which will you vote for: Bain, McKinsey or Boston Consulting Group?

One event I will be sorry to miss on my holiday is a seminar next month on "Quantum Leadership" which has been described as "magnificent" by Business Week magazine. John Wareham, the brains behind it, is a member of the wacky school of management gurus who wears a paisley waistcoat and has his glasses on his head. His one-day seminar promises to teach you about "energy and aggression, lust and libido", "the fallacy of the okay gal/guy and why more than 80 per cent of job candidates are mentally ill".

I will miss him in Europe this winter but I am cheered to see his world tour continues next year. Perhaps I shall book in at his Bermuda gig, though I'm not sure where I'll get the \$1,150 entrance fee from.

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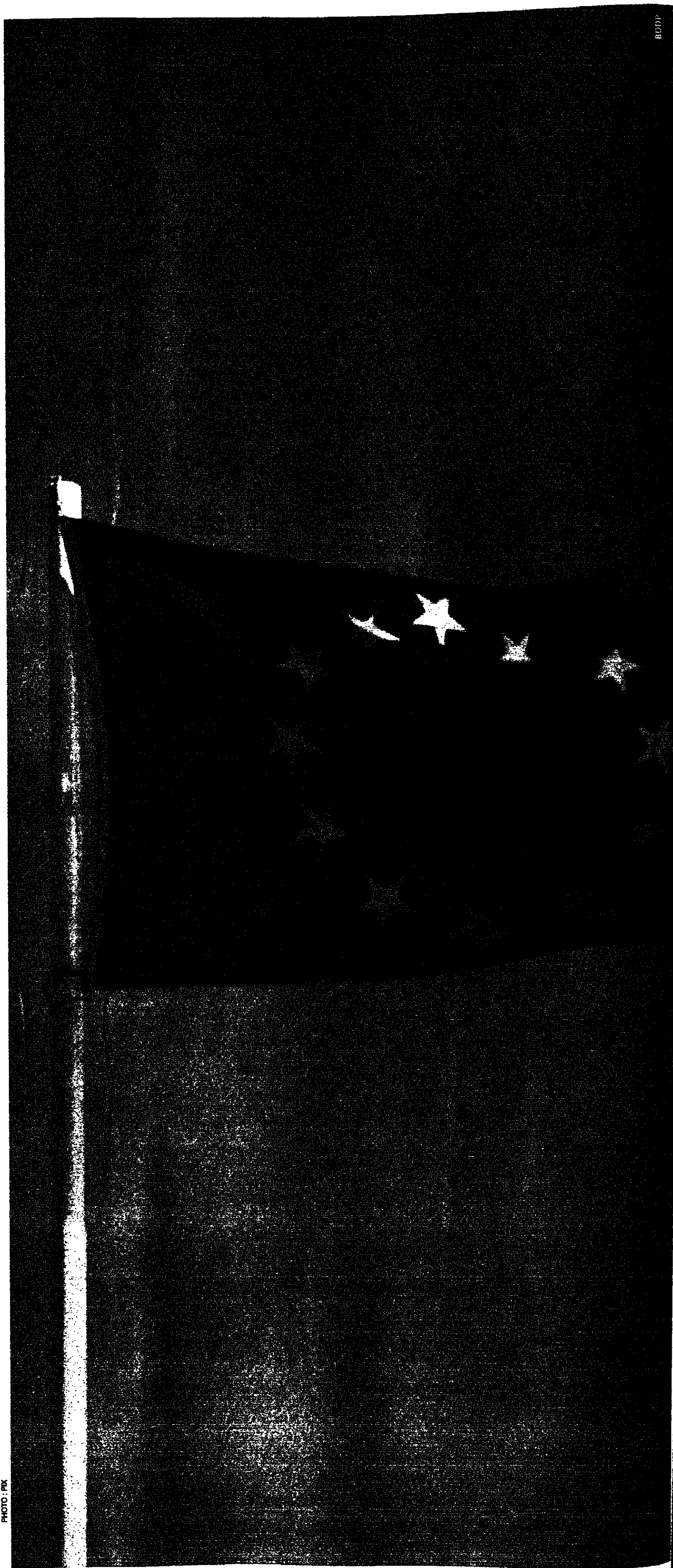
\* Business Traveller Magazine, 1994



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## PEOPLE

# Presiding over 'creative chaos'

A love of travel led the young Peter Job to Reuters. Now, says Katharine Campbell, his empire extends to 150 countries

Step into Reuters' corporate headquarters at 85 Fleet Street, London, and the foyer - not even a clock in view - gives no hint of a pioneering media business flashing information to 150 countries at a rate of more than 1,000 updates per second.

Meet its chief executive, Peter Job, and there is equally little evidence of the steel you might imagine necessary to drive a company whose arrogance in the marketplace has been a byword among its customers.

Job reckons that the importance of the chief executive's role can be overstated. A young-looking 53 in a plain white shirt, the skewed round revealing his Dunhill label, he hardly looks like the boss of Britain's largest media company - turnover last year: £1.9bn; post-tax profit: £30m.

"I'm sure the visionary entrepreneur leaping around inspiring everyone is a perfectly good model. But it is not ours," he says.

"He's so bloody quiet he gets overlooked," says Sir Christopher Hogg, Reuters' chairman, who, not surprisingly, is a great fan of the "underdog" style of management.

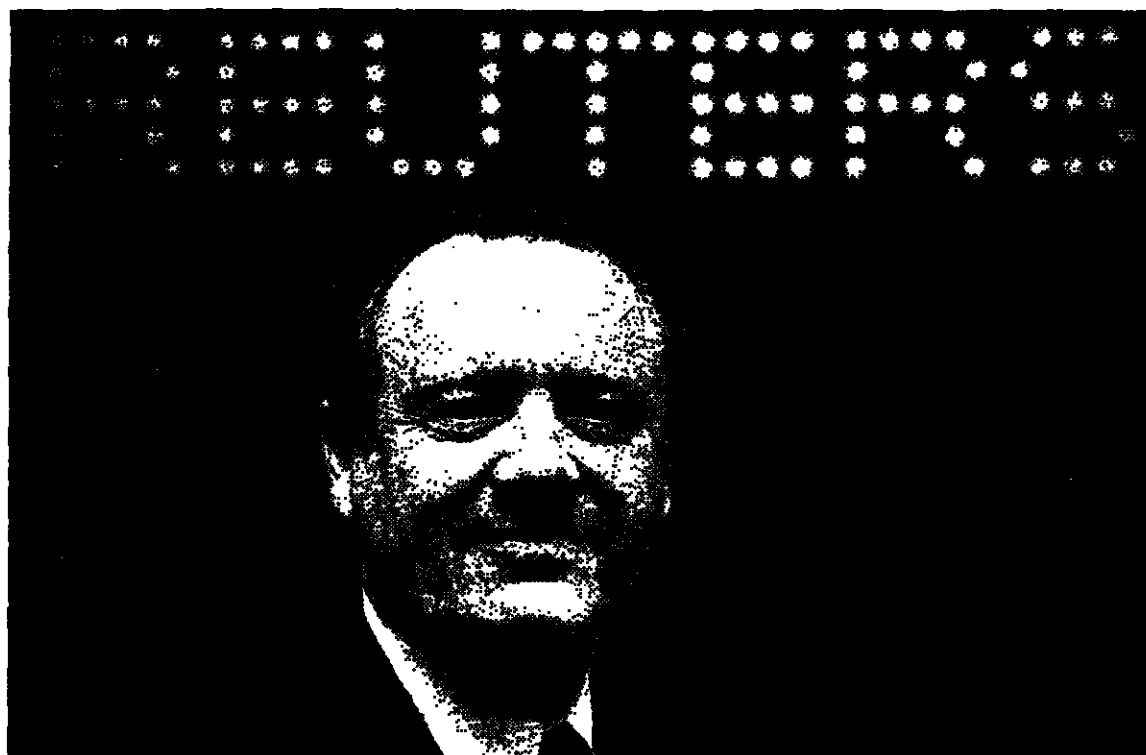
Three-and-a-half years ago, Job, running Reuters' Asian businesses, was picked from colleagues heading Reuters' other regional "harbours" - David Ure, in Europe, and André Villeneuve, responsible for the Americas - to succeed Glen Renfrew, a tough Australian who was bowing out after a decade at the top.

Reuters was suffering from the recession, new products were behind schedule, and the likes of Telerate and Bloomberg had blossomed into fearsome competitors. Job's task was to refocus an organisation that had long enjoyed the luxury of behaving like a quasi-monopoly, largely ignoring its customers' needs.

It was a measure of the management time this consumed that Reuters last year took the unusual step of a large share repurchase, effectively handing back £35m to shareholders. The company had been piling up cash and senior executives felt they had insufficient time to spend it sensibly.

More recently, energies have centred on expansion, with a clutch of acquisitions ranging from equity data system Quotron to Teknekron, a Californian software supplier. Last week, Reuters' first radio station, London News Radio, went on air.

In good Reuters tradition, Job is a



journalist by training, despite the fact that news these days contributes only 7 per cent of total revenues. Information products, principally financial, make up 72 per cent of sales, and transaction products, such as equity dealing systems, the balance.

He has spent his working life at Reuters. Between them, Job, Ure and Villeneuve have given the company 86 years of their lives. But the young Job claims not to have felt a vocational calling.

Following an Oxford modern languages degree, he says he applied for "all the usual things", flunking both the Foreign Office exams and his interview for the BBC (he arrived an hour late). It was almost entirely because of a yen to travel that he wound up at Reuters.

After two years' tedium in London - "they kicked your chair periodically to see if you were awake" - his first proper posting was Delhi. There he relished stories about famine, turbulence and revolution, and moved to Kuala Lumpur and Jakarta before returning to London in the late 1960s.

An "adequate but by no means brilliant" journalist, according to a one-time boss, Job switched into management, but not because he sensed he was marked for higher things. "I discovered when I returned from abroad that I was being paid below the union minimum wage." There followed three years in Latin America, where he learnt to "savour the idea of making money" rather than following his natural inclinations to make a mark by pruning costs.

In 1978, at the age of 37, Job was put in charge of Asia, largely because he convinced his superiors of the lunacy of managing Japan from London. He spent all but three of the next 13 years based in Hong Kong. It was a period of tremendous expansion. Revenues from the region, still only \$41m in 1982, were £279m by 1991.

It was to his great surprise, he claims - apparently genuinely - that after gaining a seat on the board in 1988 he was named chief executive three years later. "The serious news boy," as he describes himself, settled down to effect a change of style rather than direction.

Internally, that meant a more consensual form of management. It must be partly down to Job - as well as to the power of the Reuters culture - that Ure and Villeneuve did not quit in a huff, but one senses that the price for Job's elevation is that he operates somewhat *primus inter pares*. "I can't remember taking a major initiative without consulting the top team members," he acknowledges. "Except once, when I forgot. And I certainly regretted that later."

Job reckons that the ability to deliver better products at more or less stable prices over a three-year period has helped Reuters' image considerably, and put decision-making nearer to the customer, have not always registered clearly with customers. The nimble Bloomberg gets consistently higher marks in terms of responsiveness.

One thing Job likes is constant travel. He has visited more than 70 countries since he joined Reuters. As well as keeping him in touch with customers, travel suits his *modus operandi*, what Hogg describes as "a radar-scanner searching all parts of the business".

It is a pretty informal style. "I have long thought it one of the least 'managed' companies around," says one client, adding that Job's regime "co-exists with this extraordinary concentration of very bright people. I suppose you could call it creative chaos."

There are no visionary statements about the multimedia future from Job, no platitudes from a man who distrusts management jargon. "We see through a glass darkly," he says. "We are loath to commit ourselves to a grand strategy." It is rather a case of "keeping the quiver full of arrows" and expanding in an "opportunistic way - if that doesn't sound too derogatory."

But surely a board composed of executive directors, only one of whom has ever worked outside Reuters (and that not for 16 years), must be prey to introspection in its long-term planning? Job acknowledges Hogg's criticism. "I simply don't know what I would do if I couldn't call on his expertise. With the share buy-back, for instance, he undoubtedly had a clearer vision than the rest of us as to the options we faced."

While Hogg defends Job's low-key style to the hilt, the chief executive's unwillingness to spout on strategy, combined with a lack of presentational skills, has perplexed the investment community, particularly in America. "At the beginning, every time he opened his mouth the share price went down," says one fund manager, who reckons colleagues are now warning to Job - slightly.

Further down the organisation, there is a solid internal constituency that perceives a lack of leadership, and a man "far less approachable" than Renfrew. Where Job gets excited about Reuters' push into television, overstretched (and cynical, Job would say) journalists see a management out of touch with practicalities. "If the bomb goes up, do you file for text, radio or TV?" asks one.

Asked whether he will be the last journalist to run Reuters, Job paused lengthily and gave no clear answer. But what he has to demonstrate is that it is not necessarily the most glamorous types who best run the most fashionable and exciting companies.

Or perhaps, given Reuters' collective experience at the top, the task is less complex than it looks. According to Hogg: "Reuters has been in the right place at the right time. The great thing is not to blow that."



## LeFauve makes small bigger

"Skip" LeFauve, head of General Motors' Saturn division, simply can't build enough cars at the moment, writes Richard Waters. The US automaker's specialist small cars division, set up in the late 1980s to compete head-on with Japanese imports, has been running full-tilt in recent months to keep up with demand.

Saturn's success in designing and building cars that Americans want to buy (it hasn't turned a profit yet) has now propelled LeFauve up the GM executive ladder. Last week, the 58-year old career GM employee was given responsibility for all of the group's small cars.

This gives him charge of the Lansing division, which makes roughly three times as many vehicles as Saturn's 300,000 a year.

LeFauve (his nickname was supplied by a mariner grandfather) draws plaudits from analysts for making the Saturn experiment a success. The message he has hammered home all along is that the company will stay small.

As he told one interviewer, Saturn "won't be a huge company, or get too big for its breeches".

Recently, though, LeFauve has been clamouring for more investment to lift the division's production capacity. But with \$5bn already sunk in the venture, and no profit yet in sight, the GM top brass has so far failed to respond.

## Taking the reins at AlliedSignal

Ralph Reins, president of AlliedSignal Automotive and one of the leading executives in the US automotive components industry, is leaving the group to pursue career inter-

ests outside the company, writes Kevin Doss.

He is to be replaced by John Barter, who has been senior vice president and chief financial officer of the AlliedSignal group since 1988 and has headed the company's planning, development and administration functions.

Reins has worked for many leading US components suppliers including Rockwell International, ITT Automotive, where he was chief executive from 1987 to 1988, and United Technologies Automotive, where he was president from 1990 to 1991. Between 1989 and 1990 he was chief executive of Mack Trucks, the US heavy truck maker which is now a wholly-owned subsidiary of Renault of France.

Reins has led a significant turnaround of AlliedSignal's automotive operations, which had a turnover of \$4.5bn last year accounting for around 38 per cent of total group turnover of \$11.8bn.

## Lee Hsien Yang moves up at ST

The hottest item of news on the Singapore business circuit in recent days has been the rapid rise in the island republic's corporate world of Lee Hsien Yang, a son of Lee Kuan Yew, writes Kieran Cooke.

Lee junior has been appointed to the new position of deputy president of Singapore Telecom (ST), Singapore's biggest listed company.

Lee Hsien Yang, who is in his late 30s, only joined ST six months ago. Corporate analysts predict that before too long he could take over as chief executive at ST. Singapore's telecommunications conglomerate, which is 90 per cent controlled by the government, has a market capitalisation of about \$650m (a figure similar to that of British Telecom) though its sales last year amounted to only \$1.8m.

Lee Hsien Yang is a graduate of Cambridge and Stanford. He is a brigadier general, and before joining ST was head of the Singapore army's joint operations and planning directorate.

His elder brother, Lee Hsien Loong, also an army brigadier general, is now deputy prime minister and is generally seen as the most likely candidate to succeed Goh Chok Tong, Singapore's prime minister.

### CONTRACTS & TENDERS



ESTADO DO PARANÁ  
SECRETARIA DA AGRICULTURA E DO ABASTECIMENTO  
Instituto Agrometeorológico do Paraná

TELEMETRIC SYSTEM FOR THE COLLECTION OF METEOROLOGICAL AND HYDROLOGICAL SURFACE DATA  
SIMEPAR TENDER Nº 001/94  
CALL FOR BIDS

The AGRONOMIC INSTITUTE OF PARANÁ - IAPAR will receive until 2:00 p.m. on the 18 November 1994, at the Paraná State Meteorological System - SIMEPAR at the Polytechnic Center of the Federal University of Paraná, Jardim das Américas, Curitiba - Paraná - Brazil, the Documentation for Eligibility and Technical and Commercial Proposals to manufacture the equipment for the Telemetric System for the Collection of Meteorological and Hydrological Surface Data, the complete description of which is contained in the Technical Specification, the opportunity for which will begin in public session by the opening of the envelopes containing the Documents of Eligibility.

The bidding will be of a type, for Technical Quality and Price as Governed by the Brazilian Federal Statute 8.666/93 and the specific conditions contained in this edit.

It is projected that the system tender shall be an integral part of the Paraná State Meteorological System - SIMEPAR and is to be a priority for the work in Scientific and Technological Research, and by complementary to the operational activities.

Interested parties may obtain more information, analyze, or receive a copy of the complete Edit at the address below:

Sistema Meteorológico do Paraná - SIMEPAR  
Centro Politécnico da Universidade Federal do Paraná  
Jardim das Américas - Caixa Postal 318  
80001-970, Curitiba - Paraná - Brazil  
Tel/fax: +55 (41) 366-2122

A complete copy of the document for bidding, in Portuguese and in English may be obtained by interested parties on payment of a non returnable fee of R\$ 300.00 (three hundred Reals) up until 10 (ten) days before the above established deadline for receiving proposals.

The financial resources for payments, resulting from this current bidding, are available as part of the Paraná State budget.

At the time the document for bidding is purchased, all Bidders shall present a letter containing their complete mailing address (Bidder's Name, Street, Number, Zip code, City, State, Country, Tel and Fax numbers).

GONÇALO SIGNORELLI DE FARIAS  
Director President

GOVERNO DO ESTADO DO PARANÁ



ESTADO DO PARANÁ  
SECRETARIA DA AGRICULTURA E DO ABASTECIMENTO  
Instituto Agrometeorológico do Paraná

DOPLER WEATHER RADAR SYSTEM  
SIMEPAR TENDER Nº 002/94  
CALL FOR BIDS

The AGRONOMIC INSTITUTE OF PARANÁ - IAPAR will receive until 2:00 p.m. on the 23 November 1994, at the Paraná State Meteorological System - SIMEPAR at the Polytechnic Center of the Federal University of Paraná, Jardim das Américas, Curitiba - Paraná - Brazil, the Documentation for Eligibility and Technical and Commercial Proposals to manufacture the equipment for the Doppler Weather Radar System, the complete description of which is contained in the Technical Specification, the opportunity for which will begin in public session by the opening of the envelopes containing the Documents of Eligibility.

The bidding will be of a type, for Technical Quality and Price as Governed by the Brazilian Federal Statute 8.666/93 and the specific conditions contained in this edit.

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GONÇALO SIGNORELLI DE FARIAS  
Director President

GOVERNO DO ESTADO DO PARANÁ

### SIERRA LEONE NATIONAL PETROLEUM COMPANY LIMITED

The Sierra Leone Government is offering for sale its 60% share in the Sierra Leone National Petroleum Company Limited (NLPC). The Government has established the Public Enterprise Reform and Divestiture Commission (PERDIC) which is acting on behalf of the Government in the sale of public enterprises.

NP's assets comprise four marine vessels, a storage terminal with product storage tanks located in Kissy, 35 retail service stations and several buildings and residences.

Proposals must be submitted to PERDIC and are requested no later than 17 November 1994, in sealed envelopes marked "Do Not Open Before 9:00 am, 18 November 1994".

Full reports on the assets of NP are available to prospective purchasers at a total price of US\$3,000 per tender document. Acquisition of the tender document is a prerequisite for the prospective purchasers being considered for the bidding process.

Dates and times can be scheduled for visits to the NP facilities. Please contact the Executive Director, PERDIC, 11 Rawdon Street, Freetown, Sierra Leone. Tel: 222-883, Fax: 22-227-052

### The Financial Times

plans to publish a Survey on

### The Prevention & Detection of Fraud

on Tuesday, October 18.

Fraud prevention and detection is a growth industry but just how much time and money should companies spend?

This survey will focus on issues such as the fight against money laundering, industrial espionage and computer hacking.

For more information on editorial content and details of advertising opportunities available in this survey, please contact:

BRIAN POWELL  
Tel: +44 71 873 3223  
FT Surveys



If the rainforests are being destroyed at the rate of thousands of trees a minute, how can planting just a handful of seedlings make a difference?

A WWF - World Wide Fund For Nature tree nursery addresses some of the problems facing people that can force them to chop down trees.

Where hunger or poverty is the underlying cause of deforestation, we can provide fruit trees.

The villagers of Muguanga, Zaire, for example, eat papaya and mangoes from WWF trees. And rather than having to sell timber to buy other food, they can now sell the surplus fruit their nursery produces.

Where trees are chopped down for firewood, WWF and the local people can protect them by planting fast-growing varieties to form a renewable fuel source.

This is particularly valuable in the Impenetrable Forest, Uganda, where indigenous hardwoods take two hundred years to mature. The *Markhamia lutea* trees planted by WWF and local villages can be harvested within five or six years of planting.

Where trees are chopped down to be used for construction, as in Panama and Pakistan, we supply other species that are fast-growing and easily replaced.

These tree nurseries are just part of the work we do with the people of the tropical forests.

WWF sponsors students from developing countries on an agroforestry course at UPAZ University in Costa Rica, where WWF provides technical advice on growing vegetable and grain crops.

Unless help is given, soil is exhausted very quickly by 'slash and burn' farming methods. New tracts of tropical forest would then have to be cleared every two or three years.

This unnecessary destruction can be prevented by combining modern techniques with traditional practices so that the same plot of land can be used to produce crops over and over again.

In La Planada, Colombia, our experimental farm demonstrates how these techniques can be used to grow a family's food on a small four hectare plot. (Instead of clearing the usual ten hectares of forest.)

WWF fieldworkers are now involved in over 100 tropical forest projects in 45 countries around the world.

The idea behind all of this work is that the use of natural resources should be sustainable.

WWF is calling for the rate of deforestation in the tropics to be halved by 1995, and for there to be no net deforestation by the end of the century.

Write to the Membership Officer at the address below to find out how you can help us ensure that this generation does not continue to steal nature's capital from the next. It could be with a donation, or, appropriately enough, a legacy.



WWF World Wide Fund For Nature  
(formerly World Wildlife Fund)

International Secretariat, 1196 Gland, Switzerland.

FOR THE SAKE OF THE CHILDREN  
WE GAVE THEM A NURSERY.



## ARTS

## OPENINGS



**BIRMINGHAM**  
The Birmingham Royal Ballet opens a season at its home theatre, the Hippodrome, with the company's first staging of Ashton's "Enigma Variations" and the welcome acquisition of Massine's Spanish masterpiece "Le Tricorne", replete with the original and glorious Plasson designs and de Falla score.



**NEW YORK**  
An exhibition of jewel-like Indian miniature paintings opens at the Brooklyn Museum on Friday. Entitled "Palais of Herosim", the show illustrates the heroic ideal in a South Asian context - as warrior, adventurer, Hindu deity, secular ruler and lover. A wide variety of historical portraits, from the 16th to the 19th century, reveals the sometimes subtle message by which Indian rulers asserted their power and achievement.

**TATE GALLERY, LONDON**  
Ruskin described his work as "a pot of paint lying in the public's face" but today the paintings of James McNeill Whistler look decidedly conservative alongside many works at the Tate. The major exhibition, which opens on Thursday, aims to give new perspectives on the artist's role as teacher, polemicist, aesthete, theorist and critic.

**LONDON, FRANKFURT, PARIS**  
The Ring dominates the opera programme in three major European cities this week, and the wonder is that there are enough Wagner singers to go round. Frankfurt begins the first of three complete cycles tomorrow, in the staging by Herbert Wernicke first seen in 1991 at Bayreuth. The conductor is Sylvain Cambiague. London and Paris are picking the tetralogy in two instalments. The Royal Opera's production, conducted by Bernard Haitink and staged by Richard Jones, starts with "Das Rheingold" on Thursday and "Die Walkure" on Friday. The Châtelet in Paris completes its "Ring" with "Siegfried" on Friday and "Götterdämmerung" on Sunday, in the Jeffrey Tate-Pierre Strosser production which opened to Jorys.



## Good knight rides in for ENO

Richard Fairman on the opening of Don Quixote

After a year or two with its fortunes down in the dumps, English National Opera has found a new champion to send into battle. He is grey-haired and grizzled, a doddery old dreamer, but from the reception he received on the opening night he is on his way to leading the company back into profit.

By the time he wrote *Don Quixote* in 1910, Massenet was the grand old man of French opera. He knew every trick in the theatrical handbook and was well aware that chapter one begins, "Pick a good story". The tale of Don Quixote, known to Parisian audiences at the time through plays based on Cervantes, could hardly have been a happier choice for the ageing composer, himself a pensionable knight of the theatre dreaming of his past successes.

The operas that Massenet wrote towards the end of his life are not bursting with invention, like those of Verdi or Janáček. Pick up a score of *Don Quixote* and you might wonder where the music has gone. There are only a few ideas left in the drawer but, master craftsman that he was, Massenet knew exactly where to place them and how. The opera is a delicate balance of humour and sentiment, which asks little from a producer to win fairly certain success.

From the minute Don Quixote and Sancho Panza come on, it is clear that ENO's production will be good entertainment. They enter riding wobbly old tricycles, which double as warhorse horses. Don Quixote has the head of a once noble man, now emaciated and ready for the knacker's yard, like its owner Sancho Panza's is a donkey with expressive, wagging ears and a friendly grin. They are greeted with a roar of applause.

The production team - Ian Judge (producer), John Gunter (designer) and Deirdre Clancy (costumes), brilliant and stylish, by the dozen - have upturned expectations. After previous encounters with *Don Quixote* in the theatre and on record, I have come away with a mental picture of the opera in pastel colours, the silver grey of ageing hair or the distant blue of unfulfilled dreams. Here it is the opposite, ablaze with Spanish sun-baked yellow and flame red.

Instead of an arthritic, old man's drama, we get dancing at every



Richard Van Allan captures movingly the nobility of heart which beats on

opportunity, fandangoes a-plenty. Alongside seniority, the production helpfully finds a place too for youth. When the 80-year-old Verdi wrote *Falstaff* and Janáček his late operas, like *The Cunning Little Vixen*, they wanted to celebrate the renewal of life, as a new generation takes over from the old. Massenet clearly did not view the advancing years like that and *Don Quixote* sentimentally reflects on everything that old age has lost.

As the knight of the doleful countenance, Richard Van Allan captures movingly the nobility of heart which beats on, while limbs and joints are creaking towards their end. He looks perfect as Don Quixote (full marks to the make-up

department), though his voice these days is starting to get as rusty as his armour. The role was written for Chaliapin, who would have made far more of a star turn out of his dying solo, where Massenet miraculously conjures a vision of the Island of Dreams out of almost no music at all.

A couple of the best solos go to Sancho Panza and were delivered with a trusty, down-to-earth honesty by Alan Pope, words sharp and clear. His homely buffo figure makes him an ideal choice as Sancho Panza. (The casting department certainly had an eye for the right singer.) Louise Winter makes Dulcinea a dry run for Carmen, tapping a burnished chest register and sing-

ing with fiery charisma. Her suitors, literally so in trendy silk suits, were a bright-voiced quartet. Emmanuel Joel conducted with plenty of vigour, though some of the wind tuning makes the teeth grate.

Altogether, this *Don Quixote* is an evening of fun - the scene where Don Quixote charges at the windmill, gets his spear caught in the sail and flies off out of sight is quite a *coup de théâtre* - and touching enlightenment, for like his weary hero, Massenet had his wisdom, too. For ENO, it comes not a moment too soon. This is the new regime's first popular hit.

Performances until November 9.

## Culture shock

Tourism is the unlikely focus of Stephen Dorrell, the new heritage secretary, reports Antony Thorncroft

Arts ministers, now called heritage secretaries, fall into two categories - politicians on their way up and politicians on their way down. Only one man actually wanted the job, David Mellor, and he left after six months. History suggests that it is those politicians on their way down who serve the arts better. They enjoy themselves, kick over the traces, go native and end up fighting on behalf of every small dance troupe and community arts centre in the land.

Britain's current heritage minister, Stephen Dorrell, who took up the post in July, obviously has his eyes on higher ground. As former financial secretary to the Treasury, and widely believed to have his long-term sights set on No 11 Downing Street, he comes to the department of heritage steeped in Treasury lore. This is doubly bad news for the arts. And in his first public statement on Friday, Dorrell did not disappoint the pessimists.

If he is battling the Treasury hard for more money for 1994-95, he certainly gives no indication. Arts administrators, who have been told to expect frozen grants next year, should not anticipate a last-minute miracle. There is no "Gowrie downy", the rumoured government promise to the new Arts Council chairman, Lord Gowrie, that he could start his reign propitiously with more subsidy.

What the minister may well do is shift around the money in his £1bn budget between his various responsibilities. And the surprising sector that might gain is tourism. Tourism was scarcely mentioned by previous heritage secretaries. The field was consigned to the deputy heritage minister, Iain Sprouat.

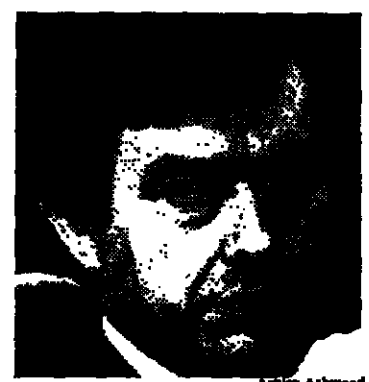
But for some reason Dorrell thinks that tourism (along with broadcasting) is going to be the saviour of the nation's arts and heritage. Perhaps that is why, in his first action as heritage minister, he chose to ignore the invitation to the Edinburgh Festival in favour of the Commonwealth Games in Canada. Someone has drawn his attention to the fact that his rag-bag of interests - arts, heritage, broadcasting, travel, sport - collectively generate an annual turnover of £50bn. This looks an impressive sum when set against £1bn in government subsidy. Why not better exploit the £46bn to boost revenue for the arts and heritage?

In practice this means encouraging more foreign tourists to visit Britain's theatres, opera, concerts, and so on, as well as national heritage monuments, thus increasing revenues and saving the taxpayer money. It would be nice, too, says Dorrell, if the British chose to spend their weekends at the Huddersfield

Contemporary Music Festival rather than on trips to Paris.

This ignores the fact that the UK currently runs a £3bn tourism deficit, with foreigners put off by the expense of Britain and its unsophisticated tourist industry. It also overlooks the reality that overseas tourists are already happy to visit the West End theatre and heritage attractions like Madame Tussauds and Windsor Castle, which do not receive government subsidy and hardly constitute the cultural highlands.

It will take more than the good intentions of Stephen Dorrell to divert them to the Tricycle Theatre, Kilburn, Phoenix Dance in Leeds, the Arncliffe Gallery in Bristol, or the hundreds of arts organisations throughout the country which are cracking under the strain of lower subsidy, reduced sponsorship and



Stephen Dorrell: a Treasury man shows his hand

falling audiences.

The minister's favourite example of tourism boosting the arts, the Tate Gallery's new satellite museum at St Ives, which almost doubled its target of visitors to over 100,000 in its first year, is a great success story for the seaside resort and for Cornwall, but it can hardly be repeated *ad infinitum* throughout the country. There is also the problem that if tourists do flock to visit, say, Elgar's birthplace near Worcester, their numbers might destroy the site's appeal.

Looking to broadcasting for cultural regeneration is also starry-eyed. Dorrell may shortly loosen controls over media ownership which, along with advances in technology, seem certain to make broadcasting more populist and prey to American-style commercialism. There is probably a market overseas for BBC videos of Shakespeare, and certainly (unions willing) more artistic events should be captured on film for a wider audience. But any gain for the arts in the regions from such developments is not immediately obvious.

Stephen Dorrell showed his colours by stressing the role of his

department as a "catalyst", which we all know means long on advice, short on money. The government's "secret agenda" on culture and the arts is now so obvious that it can hardly be regarded as hidden. John Major confidently proclaimed last month that "the money raised by the (national) lottery will not replace existing government spending".

Perhaps not. But in the view of the Treasury it will eliminate the need for any extra spending. That is why future grants under the three-year funding programme across the arts and heritage have been frozen, or even reduced.

You can understand the Treasury's view. Here are these activities - arts, heritage, sport, the Millennium Fund and charities - which are each likely to receive £150m, rising to over £300m, a year extra from the lottery. Surely they do not need rises in their annual grants as well? But they do, if they are to provide any decent performances in the new buildings that will arise from lottery cash.

It looks as if Stephen Dorrell is seeking a philosophical justification for freezing, or even reducing slightly, his department's budget. As he says: "The DNH is not a money fountain". In view of his unimpaired long-term ambitions, his financial credentials would certainly be enhanced if he presided over the stemming of his current department's cash flow: if the department became an enabler rather than a patron.

The minister has also revealed himself a populist. He is in favour of widening access to the arts but told the Financial Times that he was dead against those artists (and they do exist) who maintain that it doesn't matter if no-one is interested in their work. Dorrell's view is that if the arts cannot sell themselves to an audience, they should not look to the government for funding. This comes close to saying: "It is time to take risks, but only if they come off."

Dorrell is new to the job. When he has had the chance to tour the country, visiting arts centres laying on exciting work in difficult conditions; when he becomes familiar with the high quality performances at leading opera houses, theatres, and concert halls; when he realises that the arts themselves are an important industry and one of the very few in which the UK leads the world, he may show more imagination in his approach.

At the moment his only concrete proposals - to reduce the red tape on the building of hotels and to promote Britain more effectively overseas - are unlikely to raise the spirits of the currently depressed arts community, desperately seeking an inspirational lead.

## INTERNATIONAL ARTS GUIDE

### BERLIN

**OPERA/DANCE**  
Staatsoper unter den Linden The Barenboim-Chéreau production of *Wozzeck* is revived on Sat with a cast headed by Catherine Malfitano, Falk Struckmann and Graham Clark (repeated Oct 17, 23, 30). A new production of Rossini's *Veronica* (repeated Oct 17, 23, 30), conducted by Fabio Luisi and staged by Fred Bernad, has a final performance on Sun (200 4762/2035 4494).

**Deutsches Oper** This week's repertoire includes *Macbeth* with James Morris and Galina Kalinina. *Andrea Chénier* with Lisa Gasteier, Richard Margison and Alexandru Agache, and a Roland Petit ballet programme (341 0249).

**Kammerspiele** Harry Kupfer's new production of Bertold Brecht's 1932 tragic-comic opera *Der gewaltige Hainrich* can be seen on Fri. Repertory also includes *La Cenerentola* and a new dance work entitled *Requiem* (239 2555).

**CONCERTS**  
Schlesische Philharmonie Tomorrow: Rafael

Frühbeck de Burgos conducts Orchestra of the Deutsche Oper in works by Mozart, Poulenc and Ravel, with the Labèque Sisters. Wed: Kurt Masur conducts Leipzig Gewandhaus Orchestra in Mendelssohn's Fourth Symphony and Mahler's First. Thurs: Alexander Rahbari conducts Berlin Symphony Orchestra in works by Hans von Bülow, Wagner and Brahms, with soprano Jeanine Altmeyer. Thurs (Kammermusiksal): Kathryn Stott piano recital (2090 2156). Philharmonie Tomorrow: Ilya Stupel conducts Lodz Philharmonic Orchestra in works by Mozart and Rakhmaninov, with piano soloist Sophie Mautner. Wed: Compania Flamenca Alhama. Thurs: Lodz State Opera Orchestra and Chorus in programme of opera choruses. Fri: John McNabb piano recital. The Berlin Philharmonic Orchestra is on tour in Japan. Its next Berlin concerts are Oct 21, 22 and 23 (2548 8132).

### THEATRE

A new production of Goldoni's *Country trilogy* opens at the Schaubühne on Wed, directed by Erik Vos (890023). Peter Zadek's Vienna Festival production of Shakespeare's *Antony and Cleopatra* opens at the Berliner Ensemble on Fri, with a cast headed by Gert Voss and Eva Mattes (282 3160).

### NEW YORK

**THEATRE**  
● *Uncommon Women And Others*: a revival of Wendy Wasserstein's play about friends at a small New England women's college, who meet

for tea and then for a reunion six years later. A Second Stage Theatre production directed by Carole Rothman. In previews, opening Oct 26 (Lucille Lortel, 121 Christopher St, 239 6200).

● *Three Tall Women*: a moving, poetic play by Edward Albee, dominated by the huge, heroic performance of Myra Carter. She, Jordan Baker and the droll and delightful Marian Seldes represent three generations of women trying to sort out their pasts (Promenade, 2162 Broadway at 78th St, 239 6200).

● *Angels in America*: Tony Kushner's two-part epic conjures a vision of America at the edge of disaster. Part one is *Millennium Approaches*, part two *Perestroika*, played on separate evenings. The cast includes F. Murray Abraham (Walter Kerr, 219 West 48th St, 239 6200).

● *Philadelphia, Here I Come!*: Roundabout Theatre Company's revival of Brian Friel's 1964 Irish drama, with Milo O'Shea, Robert Sean Leonard, Jim True and Pauline Flanagan. Directed by Joe Dowling. Ends Oct 23 (Roundabout, Broadway at 45th St, 869 8400).

● *An Inspector Calls*: J.B. Priestley's 1947 mystery in a stunning re-interpretation by Stephen Daldry, first seen at Britain's National Theatre (Royale, 242 West 45th St, 239 6200).

● *Guys and Dolls*: a top-notch revival of the 1950 musical about the gangsters, gamblers and good-time girls around Times Square (Martin Beck, 302 West 45th St, 239 6200).

● *Carousel*: Nicholas Hytner's bold, beautiful National Theatre

production from London launches the 1945 Rodgers and Hammerstein musical towards the 21st century (Vivian Beaumont, 150 West 65th St, 239 6200).

● *Crazy for You*: Gershwin's tunes and Susan Stroman's choreography are the central pleasures of this light and frothy entertainment, now in its third year on Broadway (Shubert, 225 West 44th St, 239 6200).

● *Blood Brothers*: Willy Russell's musical about twins who, separated at birth, eventually meet and fall in love with the same girl. The cast includes Carole King (Music Box, 239 West 45th St, 239 6200).

● *Stomp*: a loud, aggressive and energetic movement-theatre show in which a troupe of performers dance, clap and generally bang on everything in sight. Far more engaging than you might expect (Orpheum, 126 Second Ave between 8th and 7th Streets, 307 4100).

**OPERA/DANCE**  
Metropolitan Opera This week's highlights are Idomeneo tonight with Plácido Domingo, Arabella on Thurs with Kiri te Kanawa and Marie McLaughlin, and Tosca on Fri with Carol Vaness and Luciano Pavarotti. This month's repertoire also includes *Rigoletto*, *La bohème* and *Le nozze di Figaro* (362 6000).

State Theatre New York City Opera's autumn season runs till Nov 20. This week's performances are daily except tonight and Thurs, and feature Delibes' *Lakmé*, Borodin's *Prince Igor*, *Il barbiere di Siviglia*, Carmen, *Meisterspiele* and *Tosca* (870 5570).

**CONCERTS**  
Carnegie Hall Lorin Maazel

conducts the Pittsburgh Symphony Orchestra tomorrow and Wed in two programmes, including Bruch's Violin Concerto (Maxim Vengerov), Beethoven's 5th Symphony and Tchaikovsky's Second. Thurs:

Carnegie Hall Jazz Band in a Count Basie celebration. Sat and Sun: Charles Dutoit conducts Montreal Symphony Orchestra in two programmes including Rakhmaninov's Third Piano Concerto (Horacio Gutierrez), Sibelius' Violin Concerto (Sarah Chang) and Schumann's Fourth Symphony (247 7800).

Avery Fisher Hall Paavo Berglund conducts the New York Philharmonic Orchestra on Thurs, Fri, Sat and next Tues. The programme includes the first symphonies of Kodakos (US premiere) and Sibelius, plus Prokofiev's Second Violin Concerto with Midori. Oct 21: Ozawa conducts the Boston Symphony (875 5030).

### PARIS

**CONCERTS**  
Théâtre des Champs-Élysées Tonight: Peter Rindl conducts Junge Deutsche Philharmonie in Heiner Goebbels' concert spectacle entitled *Surrogate Cities*. Wed: Jean-Jacques Kantorow conducts Ensemble Orchestral de Paris and Groupe Vocal de France in works by Hersant and Mozart, with vocal soloists including Renée Fleming and John Mark Ainsley. Thurs: cello festival with Rostropovich and others. Sun morning: Vogler Quartet plays string quartets by Mendelssohn and Brahms (4952 5050).

**Théâtre de l'Athénée** Tonight: Jordi Lavall directs *Heperlon XX* in early Spanish music (4742 6727).

**Salle Pleyel** Wed, Thurs: Semyon Bychkov conducts Orchestre de Paris in works by Florent Schmitt and Stravinsky, with vocal soloists including Anthony Rolfe Johnson and Elizabeth Laurence (4583 0796).

**OPERA**  
Bastille Myung-whun Chung ends a five-year association with the Paris Opéra this week when he conducts the final performances of Simon Boccanegra tonight, Wed and Fri. Bob Wilson's version of *Macbeth* continues till Oct 22 with Miriam Gauci in the title role. This week's performances are tomorrow and Sat (4473 1300).

**Châtelet** The new Ring production continues with Siegfried on Fri and Götterdämmerung on Sun. Jeffrey Tate conducts a staging by Pierre Strosser, with a cast including Gabriele Schnaut, Robert Hale, Heinz Kruse and Kurt Rydl. There will be two complete Ring cycles between Oct 31 and Nov 13 (4028 2840).

**FESTIVAL D'AUTOMNE**  
Peter Stein's Moscow staging of the *Orestea* can be seen daily till Sat at Maison des Arts-Créteil (4513 1919). A Bob Wilson adaptation of Dostoyevsky opens tomorrow at Bobigny and runs till Oct 23 (4631 1145). Other highlights include Robert Lepage's *Seven Streams of the River Ota* (Nov 18-20) and *The Merchant of Venice* directed by Peter Sellers (Dec 6-17). The dance programme is headed by Trisha Brown Dance Company (Nov 3-12, (4296 9884).

### ARTS GUIDE

Monday: Berlin, New York and Paris.  
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.  
Wednesday: France, Germany, Scandinavia.  
Thursday: Italy, Spain, Athens, London, Prague.  
Friday: Exhibitions Guide.

**European Cable and Satellite Business TV**  
(Central European Time)

**MONDAY TO FRIDAY**  
NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

**MONDAY**  
NBC/Super Channel: FT Reports 1230.

**TUESDAY**  
EuroNews: FT Reports 0745, 1315, 1545, 1815, 2345

**WEDNESDAY**  
NBC/Super Channel: FT Reports 1230

**FRIDAY**  
NBC/Super Channel: FT Reports 1230  
Sky News: FT Reports 0230, 2030

**SUNDAY**  
NBC/Super Channel: FT Reports 2230  
Sky News: FT Reports 0430, 1730.

Samuel Brittan

## A morning outing in Mitteleuropa



Having a couple of days to spare between meetings in Frankfurt and Vienna, I decided to spend the intervening week-end in Prague, and to visit a colleague in Bratislava on an outing from Vienna.

Prague is now a boom town, relatively inexpensive by comparison with other European cities. It is awash not only with US tourists, but with young Americans living there. Indeed it reminded me of what I had read of Paris in the 1920s, where American writers were attracted both by the cultural atmosphere and the favourable exchange rate.

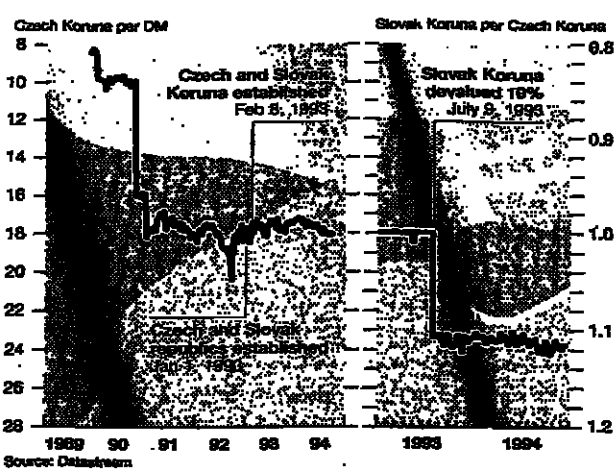
By contrast the Slovak republic seems to sell itself short. Gone is the hourly tramcar which rolled between Vienna and Bratislava before the second world war. If you do not want to take a train before breakfast, the only way to make a lunchtime appointment in the Slovak capital is by the sam hydrofoil, which I needed no urging to take.

I went on one of those brilliant autumn days when the Danube seemed, if not blue, at least bright grey. Nearly all the journey is through a dull flat Austrian stretch. Then suddenly a ridge, known optimistically as the Little Carpathians, appears. A fort perched on a hill emerges on the left, followed by a modern bridge, behind which one sees some communist-type structures and an 18th century baroque city in the background. You are in Malcom Bradbury's *Slava*.

The military types at the customs station would have made the "good soldier Schweik" seem smart by comparison. All this was great fun for the tourist from the last still-working socialist economy (Austria). But Bratislava itself was spruce and clean and the people uninhibited and friendly.

Yet it is difficult to find information on Bratislava in Vienna, though it is less than 40 miles down the river. And even in a top Bratislava hotel I

Czech and Slovak Koruna



could only find a very brief business guide which said nothing about the many picturesque baroque buildings which make the old town into a well-preserved Hapsburg city, which would be a main tourist attraction if it were in Austria, the Czech lands or Hungary.

What I found more surprising was that I could not buy a copy of the *Financial Times* or even order a cup of coffee with Czech korunas at the (now French-owned) hotel, even though they are the more valuable variety. Nor were Austrian schillings or D-Marks acceptable. So I had to go to the cashier to buy some Slovak korunas, which I had to purchase with schillings. He explained that under an agreement between the two countries only Czechs could change Czech into Slovak korunas.

I wondered whether the hotel behaviour showed that some people were prepared to pay a price in lost receipts to satisfy national pride. So I naturally offered Czech korunas to a waiter, a barman and taxi driver, all of whom readily accepted them. My train back to Vienna was due before I could continue the experiment.

Travellers are officially not allowed to bring either Czech or Slovak korunas into or out of either country. Nor is there much point in trying to do so, as the official rates are pretty

near those prevailing in the inactive grey markets.

In fact the frontier police did not ask me any questions about currency either on my way to or from the Czech Republic. But when I took the train back from Bratislava to Vienna, I was asked by a courteous young man in smart military uniform (no Schweik he) whether I had any Slovak korunas. I showed him my wallet containing 240 (worth about \$5). He told me (in German) that 100 korunas was the limit. When I held out the remainder to him interrogatively, he smiled and told me to keep it all. He even politely shrugged off a tip of 40 korunas.

The Czech koruna has obviously been stronger than the Slovak variety. Since May 1993, it has been fixed against a basket with a 65 per cent share for the D-Mark and 35 per cent for the US dollar. But the result has been scarcely distinguishable from shadowing the D-Mark - the most grievous sin in the book, according to Lady Thatcher, who otherwise so admires Vaclav Klaus, the prime minister.

Since the 10 per cent devaluation of mid-1993, the Slovak koruna has also been stable and growth has resumed. If Vladimir Meciar, the nationalist election victor, is wise, he will not undermine the progress made.

Nobody in the City is shouting it yet. But this year's narrowing in the UK trade deficit has raised hopes that Britain is on the threshold of a rare feat in its recent economic history - steady growth without a deepening trade deficit and balance of payments crisis.

Exports are growing fast, according to the Central Statistical Office. Figures published last week showed a rise in export volumes of 10 per cent in the three months to July compared with a year ago. Oil and gas accounted for about a tenth of this rise, but most manufacturing sectors enjoyed expansion.

At the same time, imports have remained relatively flat, in contrast to the 1990s. Then, imports were sucked in to meet rising domestic demand, contributing to a rapid deterioration in the trade deficit. Between May and July this year, however, import volumes fell by 3 per cent compared with the previous three months, and were only 4 per cent higher than in the same period last year.

Rising exports and flat imports have reduced the trade deficit to £2.5bn, a level seen only briefly since the mid-1980s. As a result of this - and investment flows into the UK - the current account deficit on the UK's balance of payments fell to £0.7bn in the second quarter, its lowest level for seven years.

The figures have cheered economists in the City of London. Though many last year predicted a current account deficit of £15bn in 1994, most now expect it to be nearer £5bn, below the government's Budget forecast of £9.5bn. A few, including Midland Global Markets, even predict a surplus next year.

The question now dividing economists is whether the turnaround represents a broad change in the UK's economic base, or a temporary phenomenon based on rising world demand.

Mr Geoffrey Dicks, chief UK economist at National Westminster Bank, is one of the optimists. He says the 1992 devaluation of sterling has been the catalyst for a broader shake-up among manufacturers, leaving industry more competitive. "We are winning export markets and winning back our home markets too," he says.

Mr John Mayo, finance director of Zeneca, the biochemist group, believes that the devaluation "obviously helped" the company's exports, which grew

## Double strike well in sight

Is the UK about to achieve steady growth without a balance of payments crisis, asks Gillian Tett

by almost 20 per cent last year. "Our view is not that sterling is now super-competitive, but that it was overvalued before," he says.

Vesper Thornicroft, the shipbuilder, is another company with rising exports - up 35 per cent last year, primarily to the Middle East. Mr Martin Jay, managing director, says devaluation has helped against German competitors, but improvements in efficiency have also been important. "In the last five years our productivity for steel ships has risen by 50 per cent," he says.

Businesses such as his say that rising productivity, competitive labour costs and a greater awareness of markets such as the Far East are contributing to export growth.

"The improvement in the export volume has been going on for some time," says Mr Andrew Britton, director of the National Institute of Economic and Social Research. "The long decline in the UK's market share of world trade which goes back to the war was halted and even reversed in the mid-1980s."

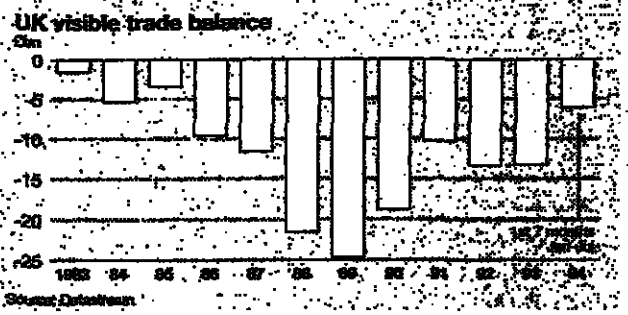
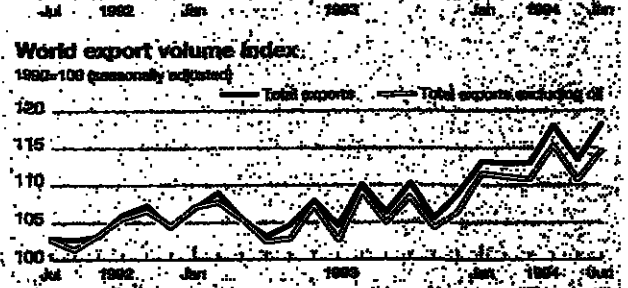
There is also evidence that UK companies are winning back customers in the domestic market. Mr Ian Thompson, economist at the Engineering Employers' Federation, says that recent trade figures suggest that, "at first sight," some companies are now resorting to import substitution.

Engineering company Powerscreen, for instance, will next month extend its factory in Wales to produce goods previously sourced from Asia and South Africa. "When sterling devalued, we had two choices - to push up prices or use import substitution. We've raised prices a bit, but now we are trying to make the things ourselves," says Mr Shay McKee, chief executive.

The car industry is also seeking to source more components from the UK, says the Society of Motor Manufacturers and Traders. And retailers such as Sainsbury have increased their share of goods from the UK.

Many in the City, however,

### UK trade: broad change or blip?



remain unconvinced that the improvement in the UK trade figures reflects fundamental change in British manufacturing competitiveness.

The growth in exports, for example, has accompanied the pick-up in world demand, particularly in the US. Other exporting countries are experiencing similar upturns: exports from Spain and Italy, which also devalued their currencies in 1992, grew by 15.4 per cent and 9.6 per cent respectively last year, according to the Organisation for Economic Co-operation and Development.

As for the fall in imports, there is only limited evidence of UK manufacturers switching to domestic suppliers. Companies such as Caskit, the UK's second largest bicycle manufacturer, find that buying their components in the UK is not a viable option. "South-east Asia produces them so cheaply it would be difficult for a UK manufacturer to compete," says Mr Joe Smith, Caskit's chief executive.

Nor are many companies reporting sharp increases in domestic market share over foreign competitors. British Steel, which has seen export demand rise to the point where it has now closed its export

order books for steel construction units for the year, reports little change in its home market share.

Some economists suspect that the new system for recording European Union trade is understating imports. But more significant may be the nature of the UK recovery.

Consumer demand led the recovery last year, but has since slowed, partly as a result of this year's tax rises. Imports of consumer goods - which represent about 15 per cent of total imports - have fallen sharply as a result.

Meanwhile, corporate investment has barely picked up, leaving imports of investment goods and components - which account for about 30 per cent of total imports - flat.

A time-lag between recession and investment growth is not unusual, but the delay seems to have been longer this time. If investment rises sharply next year as capacity constraints start to bite and business confidence rises, this could push imports up again.

Some economists, such as Mr Bill Martin, chief economist at Union Bank of Switzerland, warn that further economic growth will herald a return to problems with Britain's trade balance. Mr Martin argues that the UK's manufacturing base is too narrow to meet demand. Others say that exports may slow as growth falters in markets such as the US.

Dr Cassandre of the City Cassandre appears to be a minority. "It is difficult to be concerned about rising imports if they are being used to invest to expand capacity to export," says Mr Ian Shepherdson of Midland Global Markets.

And with growth in industrial output forecast to exceed consumer spending growth next year, exports are likely to become increasingly important in the recovery. Annualised growth in manufacturing output was running at more than 4 per cent in August, says the CSO, while the annualised growth in consumer expenditure in the second quarter, the most recent figure, was about 3 per cent.

Meanwhile, imports of consumer goods may grow little if - as many banks predict - private consumption increases by less than 2 per cent next year.

A balance of payments surplus may still be a distant prospect. But the possibility of an export-driven recovery is enough to make most economists smile. They are certainly taking the scenario seriously.

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

### More to cut in CAP cost

From Mr Terry Wynn, MEP.

Sir, It really is good news that the European Commission is willing to stimulate debate on further change to the Common Agricultural Policy just two years after the MacSharry reforms were adopted (your articles "CAP report sends tremors through Brussels", September 30 and "Trouble down on the farm", October 3). For "reform-minded" politicians the publication of this latest study signals a shift towards a more flexible approach from the Commission on agricultural policy.

It also shows that the MacSharry reforms were an important step but that less costly ways of compensating farmers for price reductions must be found. In 1985, the EU will still be paying Ecu57bn for the farm budget - nearly half the entire budget amount.

It may well be that one-off compensatory payments are not in the forefront of "Brussels thinking". But in budget and trade terms, and as the EU expands eastwards, we have to find some way of eliminating export refunds altogether and completely decoupling production from price support. If not, we will bankrupt ourselves. If the alternative to lump sum payments is the rationalisation of the CAP - which way would the Commission go?

Terry Wynn, chairman, Land Use and Food Policy Inter-group, European Parliament, Brussels, Belgium

### Competition drives car market

From Mr Rudolf Beger.

Sir, Your editorial, "Brussels' foot on the brake" (October 6) tacitly assumes that anything that looks good for producers has to be bad for consumers.

Such an assumption would mean that manufacturers do not care about their customers, that they are not interested in competing with each other precisely in the area of customer service quality and that they need to be told by national and EU authorities how to be commercially successful. This assumption betrays a surprising ignorance of the competitive factors driving the auto-

mobile trade and a serious lack of commercial common sense.

Despite all the imperfections of the yet to be completed Single Market, there is no sector that has become as truly pan-European and competitive as the motor vehicle industry, as any manufacturer which wishes to survive well knows.

The "perversity" referred to in your editorial is truly that of all too prevalent economic parochialism and an unnatural clinging to ideological catchwords, repeated ad nauseam.

The single-minded objective of every car manufacturer has to be the highest possible level

of every aspect of customer service. The present system of distribution is the best guarantee that competitive pressures will be sharpened. It is the customer who would pay for any upheaval in the system, through less service, quality, choice and competition, likely to result in higher prices. When will Europe's economic ayatollahs awaken to this fact?

Rudolf Beger, executive secretary, European Automobile Manufacturers Association, Rue du Noyer 211, B-1040 Brussels, Belgium

### Not very synchronised

From Mr David R Richards.

Sir, I would like to congratulate Ian Davidson on his perceptive article, "Victory casts a shadow" (September 28), which traces France's inability to accept shared responsibility for its recent past, as mirrored in a recently published biography of Francois Mitterrand.

As a Reuters correspondent in Paris from 1962-57, I witnessed similar psychological inability to accept events which were painful to the French psyche. For example, the fall of Dien Bien Phu in Indochina, and the surrender of the French army, were explained away by my French friends as the fault of the German members of the French Foreign Legion who were fighting there at the time.

The French people are intensely individualistic, a

quality which manifested itself in the political arena in the many different parties of the Fourth Republic in the 1950s, and which reveals itself today in the constant dissensions between party ranks. I suggest this passionate individualism makes it difficult for them to accept a shared responsibility for the past.

Sanche de Gramont, in his book *The French, Portrait of a People* says: "France is not a synchronised country. It is like an ungaited horse, each of whose legs is proceeding at a different cadence."

I quote this with affection for the days I spent in the country, and the friends I made there. David R Richards, 480 West Ash Street, Zionsville, Indiana 46077, US

### Out of order

From Ms Julia Hollingworth.

Sir, I recently asked at my local post office for a postal order for £15, to send to my nephew whose 13th birthday approaches. I was given two postal orders, one for £10, for which the charge was 60p, and one for £5, for which the charge was 40p. This represents percentage charges of 6 per cent and 14.7 per cent. The total price of £14.10 represented a charge of 8.5 per cent.

It seems to me that this puts the contentious topic of bank charges into a new perspective. It is also a further demonstration of the fact that the poorer you are, the more you have to pay. I shall not be purchasing any more postal orders. Julia Hollingworth, Abbey Villa, Princes Road, Rhuddlan, Rhyl, Clwyd LL18 5RA

### Plans for agency owe more to dogma than concern for business

From Mr Howard Pell.

Sir, Your report, "Companies House plans attacked" (October 6), describes but one of the threats arising from the proposal by trade and industry secretary, Michael Heseltine, to contract out most of the agency's services.

Within three to five years of a contractor being appointed, the agency's London presence would be reduced to being that of a deposit-only (ie post box) facility. More than 100 jobs would be lost in the process.

By then, Companies House would merely be a wholesaler of company information, with large commercial retailers

offering on those data (no doubt supplemented with other business information which many users might not actually want) at "commercial" rates. At this point, many company search agents' jobs, and perhaps entire businesses, would be lost.

Meanwhile, the contractor or contractors who had taken over what remained of Companies House would be trying, understandably, to make a profit. However, the European Court ruling in the so-called Italian Tax case ("Companies House to cut charges after EU court ruling", August 16) would prevent that margin

from being derived from Companies House fee income. Since ministers have claimed that contracting-out would not increase costs to the taxpayer, the only way left to ensure contractors' profitability would be by allowing them to reduce the quality of the service offered.

This then raises a far bigger issue than the consequential loss of several hundred jobs to the struggling south Wales economy.

Company information is simply not going to be as available, accurate and complete as it is now. Good news no doubt for companies with something

to hide: bad news for others about to do business with them.

A large and growing number of our customers are now the ones who are saying loudest that Conservative dogma and ideology, and not true concern for business, are what really lie behind the Companies House review. It is about time that ministers started to listen.

Howard Pell, member, National Union of Civil and Public Servants, Room 2145, Companies House, Crown Way, Cardiff CF4 8UZ

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## FINANCIAL TIMES

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Monday October 10 1994

## The decision is Saddam's

President Saddam Hussein's decision to move tens of thousands of troops close to Iraq's border with Kuwait is as illogical as it is personally consistent.

Iraq's at least partial compliance with UN Security Council Resolutions passed following the Gulf War in 1991 was beginning to soften some western attitudes towards the relaxation of sanctions imposed when Iraq invaded Kuwait. Mr Rolf Ekeus, the UN official in charge of monitoring the destruction of Iraq's weapons of mass destruction, is due to report to the Security Council today on the extent of Baghdad's compliance. The report was thought likely to produce evidence which could have been used by countries such as France and Russia to support Iraq's demands for a softening of sanctions.

Instead of capitalising on this trend, the Iraqi leader has chosen to pre-empt the Security Council deliberations with a characteristic act of belligerence, which suggests he has learnt nothing from his repeated gross errors of judgment over the past decade and a half. Mr Saddam's intention to provoke a crisis was not born from the blue. Mr Haidi Hammadi, Iraq's minister of information, said last week that it would have to find "other ways" of dealing with the Security Council if it insisted on following the "oppressive" determination of the US to keep sanctions in place.

## Regional domination

The US attitude has been similarly well signposted. Mr Robert Pelletreau, the US assistant secretary of state for near eastern affairs, and Mr James Woolsey, the director of the CIA, have both argued strongly against any easing of sanctions. They claim that Iraq still harbours ambitions of regional domination. Mr Pelletreau added: "Iraq today is not in full compliance with any of the UN Security Council resolutions. It has not even met the basic requirement... of formally recognising the UN-demarcated border with Kuwait." Mr Woolsey additionally asserted that the Iraqi regime was still hiding Scud missiles, chemical weapons and its entire biological weapons programme.

Whatever the relative merits of the arguments over the degree of Iraqi compliance with UN resolu-

tions, there can be little dispute that the instincts of the Iraqi leader have not been moderated by his experience during and after the Gulf war. Everything Saddam Hussein does is based on retaining power in Baghdad, and for the past 14 years he has sought to push away the suffering of his population by first the war with Iran and then by the hostility of the US. Mr Saddam's current military posturing may be as hollow as his threat in 1990 to unleash the "mother of all battles" against the western allies, but it serves to embellish his role of the embattled Arab leader struggling against an international conspiracy.

## Humanitarian suffering

It also seeks to disguise the fact that the Iraqi regime is solely responsible for the appalling state of the nation. Iraq could tomorrow renounce any territorial claim to Kuwait and, however reluctantly, accept the UN-designated border. It could make quite clear its intention never to use force against its neighbours. Mr Saddam could avoid himself of UN security resolution 768 which allows Iraq to sell some oil to relieve humanitarian suffering within Iraq.

He has chosen to do none of these things, but instead expects the UN to ease sanctions on the basis of his partial technical compliance with the demolition and future monitoring of weapons of mass destruction. It is difficult to believe that Mr Saddam, for all his ignorance of western political systems, could not have foreseen the reaction to his renewed military threats. It is almost as if he wished sanctions to be retained.

In these circumstances he leaves the UN Security Council and the western allies very little choice. Critics may well continue to complain that the US has no coherent longer-term policy for dealing with Iraq, other than maintaining sanctions which have so far failed to bring about a change of political attitude, or a change of regime in Baghdad. The west might well consider doing more to soften the secondary effects of sanctions on countries such as Turkey and Jordan. But in the final analysis the easing of the Iraqi tragedy rests with the regime in Baghdad, and perhaps with those who have the opportunity and courage to bring about its demise.

## Trouble ahead for the CAP

It is one of the European Union's quaintest superstitions that the Common Agricultural Policy has quasi-magical staying power. Squeezed by budgetary stringency, bombarded in transatlantic trade wars, riven with internal contradictions of all kinds, the policy cruises on regardless. Its powerful defenders - in the European Commission's agricultural directorate and in Europe's farm lobbies - speak as if its existence, and its virtues, were synonymous with those of the Union itself.

If the warnings emanating from some authoritative quarters in recent weeks are any guide, however, such confidence in Europe's farm policy is in for a shaking. On the one hand, the Union is still struggling to absorb the reforms introduced in the early 1990s by farm commissioner Ray MacSharry. On the other, it faces new pressures resulting from its commitment to take in members from central Europe. An independent report published by the Commission late last month recommended wholesale CAP reform to prepare the EU for further enlargement. Last week, the UK National Farmers Union warned that without fundamental change in the CAP, enlargement could stretch it to breaking point and even cause the demise of the EU.

## Biting reforms

Warnings of this kind may sound odd only two years into a major CAP reform. But in truth the MacSharry changes - under which farmers are paid to "set aside" a given proportion of their arable land from production, and EU prices are reduced - have only bought time for the EU and curbed the excesses that threatened a trade war with the US. The reforms are biting, to the perverse extent that grain shortages have recently forced internal EU prices up; the Commission was moved last week to propose a minor relaxation of the set-aside regime. But the MacSharry changes are no answer to the problems which will be posed by enlargement.

Unless it carefully prepares for this challenge now, the EU could face a serious crisis over agricultural reform in 1996, when the MacSharry reforms run out, as the desire for further enlargement collides with an inability to manage or finance

it. Such a crisis would complicate the fraught constitutional debate due to take place in the inter-governmental conference set for that year. At worst it could derail what is arguably the EU's most important strategic task: stabilising the countries to its east, and spreading its own prosperity.

## Price supports

The problem lies in the CAP's price support measures, under which EU farmers are paid more than world market levels for their produce. Extending such price supports to farmers in, say, Poland would almost certainly cause a production explosion, growth of unsaleable surpluses and consequent trade conflicts, and the collapse of the EU budget. On the other hand, excluding Poland and the other Visegrad countries from as central an EU policy as the CAP - either altogether or for a protracted transition period - is unlikely to be politically feasible.

Hence the urgent need to consider more radical CAP reform. One option, suggested in a paper produced for the Commission by independent experts in June, would be to lower EU support prices to a level that covers only core production costs, establish a standard level of support prices in the eastern European countries and bridge the gap between the two by means of export refunds and import duties. Another would be to scrap or phase out all EU price support and replace it with some other form of social aid, decoupled from production. These are not arcane or remote questions. Such adjustment will be necessary even without full EU membership on the part of the central European countries. For if the Union's promises to dismantle trade barriers with these states are to mean anything, it will have to let in more of their farm produce, creating greater competition for the farmers of western Europe. That in turn is why some EU governments are seriously taken if they think these issues will go away. Germany, for one, will be forced to address them as a result of its own strong commitment to bringing its central European neighbours into the Union. If the price of doing so is CAP reform, it will have to be paid.

In recent weeks Moscow's more opulent hotels have been crisscrossed with foreign investment bankers, venture capitalists and fund managers, chattering excitedly about a possible turn in Russia's economic fortunes.

"This is one of the greatest investment opportunities of the 20th century," enthuses one fund manager. "Russia is the single most important emerging market for us at the moment," says another. Mr Mark Donegan, an equity strategist at Morgan Grenfell, the UK-based merchant bank.

This interest has triggered a wave of speculative buying. In the past six months foreign investors have been flocking into Russia's infant stock markets, causing the prices of some shares to jump by as much as 30 per cent a day. Some shares have risen 10 times in dollar terms over the past year, or about 25-fold in rouble terms.

According to Mr Anatoly Chubais, privatisation minister, the rate of foreign portfolio investment has accelerated to \$500m a month, compared with about \$10m for the whole of 1993. CS First Boston, the international investment bank, estimates total foreign portfolio investment this year may exceed \$3bn.

But the excitement still needs some explaining. Headline statistics suggest Russia's economy is still mired in recession, with industrial production having fallen 28 per cent in the past year. The government is under severe budgetary pressure. The rouble is falling fast. Thousands of companies are experiencing an acute cash-flow crisis and many have not been able to pay their workers for months - one industrial company, for example, recently resorted to settling its wage bill in job-lots of tampoons which it had somehow bartered.

Yet the picture is far from uniform. While some parts of the Russian economy are contracting, others - particularly in the services sector - are growing at a frenetic pace. The mass privatisation of 120,000 state-owned enterprises is also proving a brutally effective learning process for Russia's old-school management in how to run their companies profitably.

The speed of the privatisation has meant many of the most attractive assets have been hastily bundled into corporate parcels. That has created some powerful and potentially wealthy industrial companies, which could yet dominate the Russian economy in the way giant corporations helped shape US development in the 1920s.

It is these few corporate colossi, mainly clustered in the oil, gas, mining, metals, electricity and telecommunications sectors, which most appeal to western investors - especially following increases in

Enthusiasm for Russia's stock markets is growing, but the risks remain great, writes John Thornhill

## Foreign speculators raise the stakes

global commodity prices.

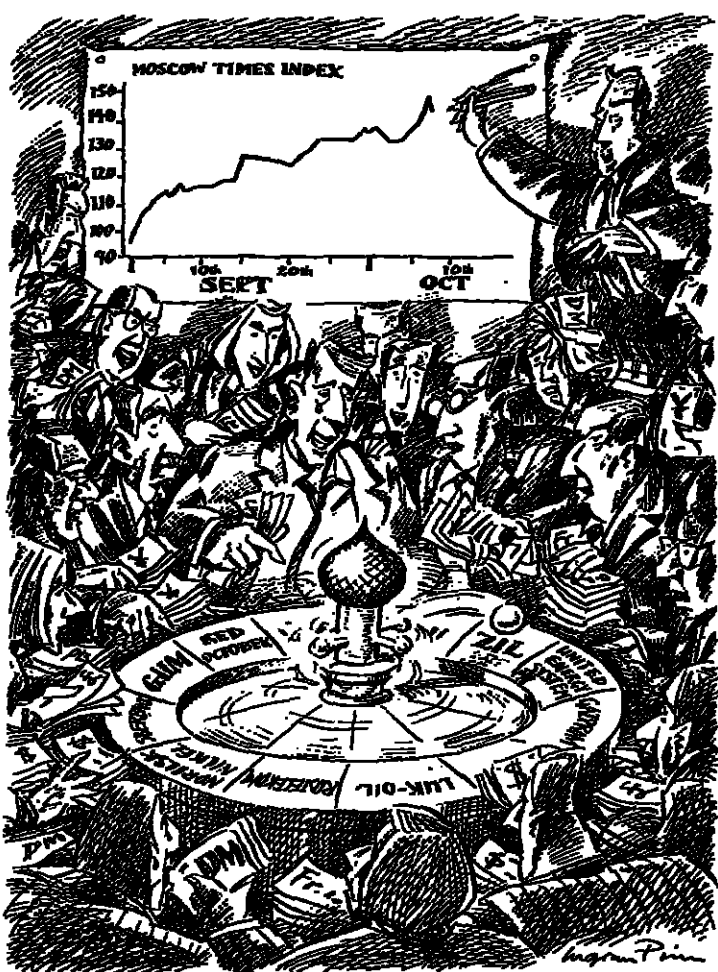
These companies are fast learning how to speak the language of western investors to attract much-needed capital. Lukoil, one of the most progressive of the new oil companies, has already made slick investment presentations in New York. Five other Russian companies, which may issue global depositary receipts - or certificates representing shares - next year, staged a well-received investment road show in London last month.

The investors' prayer is that these companies could eventually produce phenomenal returns from their rich assets. One investment bank calculates that if Gazprom, which controls more than 30 per cent of the world's known gas reserves, could generate the same financial return on assets as its western peers, and attract an equivalent stock market rating, it would emerge as the most valuable company in the world.

Despite spectacular share price rises recently, such assets still appear cheap by global standards. The Moscow Times index of the 30 most actively traded Russian stocks estimates their total market value at about Rbs74bn (\$28bn). Put another way, the bulk of Russia's vast natural resources and corporate assets is currently given about the same value as Glaxo, the UK pharmaceuticals company.

While this theory may be enticing, much remains uncertain, and there is plenty to alarm the investor. "In many respects, Russia is a pre-emerging market and lacks many of the most basic playing rules. We will see a number of problems and scandals in the market. That is only to be expected," says Mr Martin Anderson, chief executive of Brunswick, a Swedish-owned, Moscow-based stockbroker.

Russian accounting remains opaque and the concept of corporate governance hazy, making it impossible to value Russian companies on conventional measures of earnings, cash flow or dividend yield. Instead, appraisals have to be made on factors such as proven reserves, share of global metals production, price per unit of energy produced - or even density of telephone lines. There is inevitably a large dash of



wifeful thinking thrown in. If there were ever a reconciliation of accumulated inter-enterprise debts, many Russian companies would surely be bust. Far from being cheap, many current share prices could yet look absurdly generous.

The other chief worry is the sheer difficulty of trading shares, a reminder of the old saw that an emerging market is one from which you cannot emerge in an emergency. A dozen relatively orderly local stock exchanges have been set up, but 95 per cent of shares are still traded over the counter through a myriad of small brokers

- many of whom dabble in commodities from shares to human hair.

One frustrated western fund manager says: "The biggest task is simply trying to get buyers and sellers to meet. It is still very difficult to know what the price of a share is." Prices quoted to investors often prove meaningless and the spreads between bid and offer prices can be as wide as 40 per cent.

Even when shares are bought, it is extremely onerous to register ownership. Legislation requires new owners to enter their names on a shareholder list kept in the company's home town. Travel-weary

stockbrokers spend much time scurrying off to obscure Siberian towns simply to register their purchases.

Local stockbroker associations have been formed to address these concerns and introduce self-regulation. Western government-funded projects are also helping develop effective clearing and settlement systems. Banks, such as CS First Boston and Chase Manhattan, are establishing custodial services to give investors greater confidence about the security of their investments. But mainstream investors will remain deterred until such doubts are resolved.

The Russian government is drawing up further securities legislation, which promises effective regulation. It is also devising means of channeling the domestic savings pool into the productive economy, rather than into speculative investment schemes, which could give the markets a further boost.

The successful development of secondary markets would solve many government dilemmas. A strong domestic shareholder culture would help entrench the economic reform process and produce greater industry accountability. Capital markets would also provide an alternative means of development finance, helping wean industry off state credits.

But the success of the reform-minded ministers is far from assured. It is only a year since tanks were shelling the Russian parliament building, and the political situation remains precarious. Russian nationalists are already campaigning about what they see as a sell-out to foreigners, and there remains a danger of expropriation. The economy, too, could unravel in the face of social unrest, demands for industrial subsidies and a further spurt of hyper-inflation.

As yet, only the hedge funds and private individuals have been bold enough not only to identify the risks but to swallow them. Their interest is clearly to take up the market and take their gains by selling out to incoming fund managers. That may already be happening as Russian share prices have softened in the last few days. But there is a chance that the astonishing speed of change in Russia's capital markets could pre-empt the start of much longer-term growth in investment, as mainstream fund managers and Russian domestic investors grow confident enough to commit serious funds.

"I would like to think that this is not a passing emerging-market fad," says Mr Anderson of Brunswick. "The sheer size of Russia's resources and companies must one day ensure that it assumes an appropriate place in the world's equity markets."

## Sleepless and irritable in suburbia



PERSONAL VIEW

At the height of Washington's long hot summer, my house was without power for 48 hours as storms swept through the area. It brought home to my family the extent to which we rely on electricity for air conditioning, television, to keep food fresh - even to make a hot drink.

After two sleepless nights and irritable days, we felt we had been through a major disaster. But we had simply experienced a few inconveniences. We knew we could escape to the car's air conditioning, we could buy fresh food at the supermarket, we could go to the cinema if we became bored with family conversation.

As an employee of the World Bank, which is committed to improving the quality of life of the world's poorest people, I could not help comparing our "devastating" inconvenience with the reality of daily life for the 2bn people in developing countries who have no electricity.

The same number of people lack adequate sanitation - at least our bathrooms continued to function during our blackout. We did not much enjoy our lukewarm water and beer, but I'm pretty sure we do not have access to safe water. It is little surprise, therefore, that every year more than 3m children in developing countries die of diarrhoeal disease, not to mention all the other illnesses that result from their living conditions.

The 17 per cent of World Bank lending that supports investments in population, health, nutrition and education helps people in ways that are easily recognised. These investments tend to be mutually supportive: educated women, for example, have smaller families and healthier and better-educated children.

Such projects often have obvious appeal to the public. An example is the World Bank-financed project which enables 5m blind people in India - one-fifth of the world's blind - to see again as a result of cataract surgery.

Less appealing is that portion of World Bank lending that pays for the provision of electricity, clean

water and sewerage. In the last decade the bank has committed \$25bn to electric power projects and more than \$8bn to water and sanitation.

The fact is that, in the past 30 years, life expectancy in developing countries has been extended by some 15 years, the number of children dying before the age of five

## Unfortunately, big investment projects have the potential to cause environmental damage

has been halved, and literacy has increased dramatically. Most of the credit must go to the people of the countries themselves, but the investments the World Bank has supported have made a valuable contribution to improving living standards and reducing the incidence of disease.

Why then does the World Bank come in for so much criticism - especially over its lending for dams

that create electricity and for other large projects? Small can often be beautiful but, for all the advances of the last few decades, the number of people who lack the basics in life is massive.

Many can be helped by small-scale, grass-roots efforts, but these must be complemented by the big investments that will bring electricity, water and sanitation to very large numbers of people. Similarly, irrigation projects have contributed to a doubling of food production and an increase in average nutritional intake per person of 20 per cent over the past quarter century.

Unfortunately, such larger efforts have the potential to cause environmental damage, and people may have to be resettled. The challenge for the bank and its partners in development is to work with the countries it is trying to help, to keep negative effects to a minimum.

The bank has not always been as successful as it would wish - and its own self-critical reports, designed to improve future performance, provide ample fodder for critics.

But a vocal minority does not

want the bank to do a better job. This group would like the bank to steer clear of any activities that challenge the right of people to live in pristine poverty if there are any negative side effects. Unfortunately, the bank does not have the luxury of turning its back on that which may be controversial or difficult.

In 1651, Thomas Hobbes, the English clergyman and philosopher, characterised the life of people living in a simple world as "nasty, without industry, without trade, and without the benefits of modern inventions - as 'poor, nasty, brutish, and short'". The inconvenience of a few hours without electricity in suburban Washington is a modest reminder of what life is like for the millions without electricity, clean water or sanitation in Bangladesh, Bolivia or Burkina Faso.

They must not be condemned to the state described by Hobbes.

Tim Cullen

The author is chief spokesman for the World Bank.

## Harmonious union

Choosing Belgian socialist Willy Claes to be Nato's secretary general makes it easier to fill the same post at Europe's other defence organisation, the Western European Union. But not much.

Leading the WEU is a sensitive job. Whoever gets it will have to jolt into full-blooded existence a body which - having finally got Washington's blessing - has been designated as the European Union's defence arm.

Claes's victory probably eliminates his compatriot, Marc Eyskens, from the WEU race; the rules of European military chairs dictate a limit on Belgians - or any other nationality - occupying top notches.

Portugal's Jose Cutiheiro is in with a chance, with his Atlanticist credentials appealing to the UK, though not to the French. The two front-runners though are veteran Italian diplomat Giovanni Jannuzzi, currently ambassador to Nato, and Enrique Baron Crespo, the Spanish politician and former president of the European Parliament.

The Spaniard's socialist background might count against him, too many socialists being almost as difficult to swallow as too many Belgians.

The Italian camp stresses the quiet efficiency with which Jannuzzi co-ordinated the EU's

foreign policy secretariat for four years. France's ex-ambassador to Nato and a couple of its former cabinet ministers wait in the wings.

With so little union, maybe the incumbent, former Dutch defence minister Willem van Eekelen, would like to stay put?

## Phut phut

The UK's Institute of Personnel and Development says that Dutch managers, whose work often takes them into Germany, like to run two cars.

They keep the prestige motor for doing business in Germany - where they feel an impressive vehicle is *de rigueur* - and the clapped-out banger for working in the Netherlands, where an ostentatious company car might suggest a lack of investment in the business.

Presumably they keep the moped for dealing in the UK - so they won't offend their poorer cousins.

## Penny wise

Conservative central office's efforts to reduce its estimated £15m overdraft will not be helped by gaffes such as the one visited on Sir Alistair Grant, the genial Scottish millionaire who is chairman of the Argill supermarket group. Sir Alistair, whose company has over the past decade contributed some £250,000 to Tory coffers, was irritated earlier this year to receive

## OBSERVER



a gushing letter from party HQ asking him to consider making a "first time" donation.

As an indication of the party's organisational prowess, Sir Alistair considered this less than impressive. He promptly cut the company's annual donation from £20,000 to zero.

Who carries the can for the embarrassing error? Central office is understandably rufous but it is reliably understood the letter was authorised by David Sleff, the Marks and Spencer director, and until recently among the high-powered businessmen helping to run the Tories' finances. For entirely unconnected reasons,

Sleff is now devoting his spare time to being chairman of the board distributing cash from the UK's new national lottery.

## Speaking volumes

Telephone sex with a difference. In Switzerland, the PTT telecoms company is now running a commercial for mobile telephones. In it, a young woman tells her boyfriend that, alas, she failed to reserve cinema tickets because she could not find a payphone. Another young woman, eavesdropping on this sad event, whips out her mobile phone, books the tickets and captures the man.

In the next scene, as the couple emerge from the cinema, the woman raises her eyes to her hero and says... different things, depending on whether the ad is for the German or French speaking market.

In the German version she says: "And where will we go for a drink afterwards?" In the French it's: "And now, your place or mine?"

## Taxing break

Chief financial officers of US companies know a good thing when they see it.

For a few days last week they were able to save millions of dollars on their securities registration fees, thanks to a congressional delay in approving the Securities and

Exchange Commission's new budget.

The delay meant the SEC was temporarily unable to charge companies its usual fees for registering securities. Instead of the normal 0.035 per cent, the agency was forced - by the rules of a temporary funding bill passed earlier this year - to charge only 0.02 per cent.

Chicken-feed. Mind you, these are big broilers. Chrysler rushed to register \$18.5bn of securities, saving itself a handsome \$2.7m in fees. General Motors saved \$1.4m on \$7.1bn of securities.

Blame two Republican senators for holding up the new budget. They wanted to attach to the funding bill a measure giving married couples a bigger tax break, worth an extra \$1,760, on their savings.

Meanwhile, who will count the millions of corporate dollars saved at the expense of US taxpayers?

## Deaf to reason

Earnest US youths working in the House of Commons as research assistants to MPs sometimes encounter local problems. One recently asked a British colleague: "What's the politically correct expression over here for 'deaf'?" The Brit pondered, then replied: "Well, I've got a relative who is deaf. We call him 'stone' deaf. That any good?"





# Claims over Thatcher link to arms deal irritate Tory leaders

By Roland Rudd in London

The UK Conservative party last night sought to distance itself from Lady Thatcher after embarrassing allegations on the eve of its annual conference that her son Mark made £12m (\$18.9m) commissions from a Saudi Arabian arms deal while she was prime minister.

Mr Robin Cook, shadow trade and industry spokesman, called for an independent public inquiry "to get to the bottom of the allegations".

As the Conservative party tried to reassert its own agenda in the face of Labour attacks over the "sleaze factor", one minister conceded that the allegations were "most unhelpful" coming just before Lady Thatcher is due at

the conference in Bournemouth, southern England, tomorrow.

Conservative Central Office sought to distance the government from Lady Thatcher's administration of the 1980s. "Allegations surrounding the son of a former prime minister who has been out of office for four years are of historical interest," said a senior spokesman.

Ministers, however, were irritated by yesterday's report in the Sunday Times which alleged that Mr Mark Thatcher was among a team of middlemen who earned between £240m in commission payments from the Al-Yamamah deal with Saudi Arabia.

Mr Cook said: "There are two main questions that must be answered: what influence did Mark Thatcher sell

in return for these millions and how much did Mrs Thatcher use her public office to promote her son to make a private fortune?"

Mr Cook said Mr Michael Heseltine should set up the inquiry since he was now trade and industry secretary and had been the defence secretary who signed the deal 10 years ago.

The Sunday Times also alleged that Lady Thatcher had been warned by civil servants about the potentially damaging consequences of her son's involvement in the Saudi Arabian arms deal.

Mr Robert Sheldon, the chairman of the Commons public accounts committee, yesterday called for wider powers to track public money across departments.

"The committee needs wider

powers to follow public money wherever it goes," he said.

Mr Sheldon was instrumental in deciding that a report into the deal by the National Audit Office, a government watchdog committee, was not published on the grounds of national security.

He yesterday said there had been no evidence that the Ministry of Defence had done anything wrong in sanctioning the deal. But he stressed that his committee only had the powers to investigate individual government departments.

Mr Tam Dalyell, the Labour MP who brought up the issue of Mr Mark Thatcher's involvement in the deal in the Commons two years ago, said: "I shall return to the subject when the House reassembles."

## Jurists propose trust for Fininvest

By Robert Graham in Rome

A commission of three jurists has proposed that Mr Silvio Berlusconi, the Italian prime minister, either sell his Fininvest business empire or appoint a trust to manage Italy's second largest private group to avoid a conflict of interest.

The proposal is contained in a report handed over to the Senate by Mr Berlusconi at the weekend. He commissioned the report in May on taking office. He had been sitting on it for 11 days but has so far refused to comment.

The proposals are not binding and merely a basis for legislation. The opposition Party of the Democratic Left (PDS), the former Communist party, criticised the report as being too little, too late. Mr Cesare Salvi, the PDS spokesman in the Senate, welcomed the fact that the report accepted a conflict of interest existed. But he said the contents were too vague and lacked teeth, especially over sanctions.

The report avoids any mention of the need to reveal the full nature of ownership of a business. Mr Berlusconi's ownership of Fininvest is obscured behind 22 holding companies and two fiduciaries (trusts).

The jurists suggest that any member of government must within 40 days of taking office

make a full statement of their business interests. If a person holds business interests of L50bn (\$32.2m) or more, then he must either sell them or hand over their administration to a trustee.

The report rules out enforced divestiture as unconstitutional. Mr Berlusconi has consistently refused to contemplate a forced sale; the PDS has argued that this would be the sole means of avoiding a conflict of interest.

All non-media interests would be assessed by the existing anti-trust authority, and the latter would retain monitoring powers over any conflict of interest arising with assets being managed by a trustee. Media interests - a specific reference to Mr Berlusconi's three commercial TV channels - would be monitored by the media watchdog commission.

The anti-trust authority lacks a chairman. This means that, in the present parliament, the right-wing coalition of Mr Berlusconi would be the ultimate policeman of any conflict of interest.

The Senate discussion, which will start today, will take place against the backdrop of two existing conflicts of interest - Mr Berlusconi's battle with the Milan magistrates over its investigations into Fininvest, and the government's takeover of management and editorial control of RAI, the state broadcaster.

## Maxwell schemes sue Credit Suisse

By John Mason in London

Maxwell pensioners return to the UK High Court today in two legal challenges attempting to recover more than £80m (\$126m) from Credit Suisse, one of the banks which loaned money to the late Robert Maxwell.

Trustees for the Mirror Group Newspapers pension scheme and the liquidators of Bishopsgate Investment Management, the former managers of other Maxwell company pension schemes, are suing Credit Suisse for accepting pension fund assets as collateral against a loan to the late publisher. The action brought by the MGN pension trustees is seeking more than £52m in damages. BIM is seeking £25m.

The dispute surrounds a £50m loan facility from Credit Suisse to the Robert Maxwell Group which was agreed in July 1990 and drawn against in September that year. Both the MGN pension trustees and BIM are arguing that Credit Suisse was, or should have been, aware that the shares offered by the late publisher as collateral were pension fund assets. The ownership of the shares was split between the MGN pension scheme and BIM.

Attached to the action brought by the MGN trustees is a further claim against Credit Suisse by

Bank of America for £25m - the sum paid by the San Francisco bank to the MGN scheme, without any admission of liability, in January this year. Bank of America had acted on Mr Maxwell's behalf as custodian of the disputed shares and passed them on to Credit Suisse. Credit Suisse has mounted a counter-claim against Bank of America.

Miss Margaret Cole of Stephenson Harwood, the solicitors acting for BIM, said: "This is an important step in recovering pension fund assets. It is the first time a court will rule on a bank's liability for taking pension fund assets as collateral."

In February, the MGN trustees settled one case involving pension fund assets when it accepted out of court payments totalling £32m from three securities houses, Lehman Brothers, Invesco Asset Management and Capel-Cure Myers.

Although the actions being brought by the MGN pension trustees and BIM are legally separate, they will be heard together. They are expected to end early next year.

Credit Suisse is fighting both cases. In a statement, the bank said it was under no liability to MGN pension trustees or BIM, and that the security taken for the loan was valid as it had been taken in good faith.

## Hands across the ocean

THE LEX COLUMN

This year has so far seen two hostile bids fought simultaneously in Britain and America. The failed Enterprise/Lasmo bid and the current Browning-Ferris Industries/Attwoods battle have come under the jurisdiction of both the UK's Takeover Panel and the US Securities and Exchange Commission. The reason is the large proportion of each target's shares held by US investors - over 20 per cent in Lasmo's case and about three-quarters in Attwoods' case.

Though operating in two jurisdictions adds to the complexity and cost of takeovers, more bidders are likely to be driven down this route as US investors increasingly diversify their portfolios overseas. Acquirers may find it worth pursuing a US stake of as little as 5-10 per cent, given that they can only compulsorily purchase minority stakes if they win over 90 per cent acceptance.

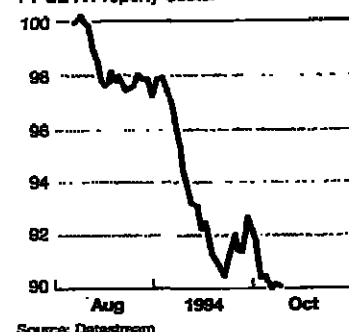
Such dual jurisdiction bids subtly change the nature of the takeover game. Bidders and targets have to appeal to two sets of shareholders, each with slightly different ways of valuing companies. In the Lasmo bid, much was made of the fact that US investors look at oil exploration companies on a cash-flow basis while UK investors are more concerned with assets. Meanwhile, BFI has argued that Attwoods' earnings should be converted to US accounting standards in order to decide how much the shares are worth. It will be no surprise that this turns what first looked like a mean offer into an apparently generous one. As more bids straddle the Atlantic, dreaming up similar wheezes should become a growth business for bankers.

### Australia

The US is not the only country where markets are looking to see whether the authorities will push up interest rates. The chances are growing of a further rise in Australia after the jump to A\$2.14bn in the August balance of payments deficit, the largest monthly figure since early 1990. Last week Mr Ralph Willis, Australia's treasurer, sought to downplay the payments figures, citing the drought in Queensland and New South Wales and rising imports of capital goods as reasons for the disappointment. If that was why the payments deficit was rising, there would be less need for a monetary policy response. Evidence that companies are finally stepping up their investment would be a sign of

### UK property

FT-SE-A Property Sector



Source: Datastream

sustainable recovery. The nagging worry remains, however, that Australia's current account is once again revealing the country's structural weakness as a commodity exporter with a relatively small domestic manufacturing base. Mr Willis points to 16 per cent compound growth in manufactured exports since the mid-1980s as evidence of change, but the base was small and the August trade figures showed a slowdown in non-farm exports.

While such concern persists, Australia will need an eye on the limits to growth - still officially forecast at 4.25 per cent in the current financial year. Neither the currency nor the bond markets are likely to tolerate for long inaction by the Australian authorities once US rates rise again. Sydney equities have fallen 17 per cent since their peak in February. They may not yet have fully discounted further interest rate rises in the pipeline.

### European cars

The European car market is set to recover from last year's cyclical trough. But much of this year's growth - expected to be 4 to 5 per cent - is due to government-sponsored sales incentive schemes in France and Spain. In Germany, election nerves are limiting the pace of recovery. The rebound in the UK market reported last week disguised a fall in the number of cars bought by consumers, the growth coming exclusively from fleet buyers.

All this points to a long, slow recovery. General Motors predicted at the Paris motor show that European car production would not reach the previous cyclical peak of 1989-90 until the end of the century. The path back will be dogged by mounting competition,

between the big US and European manufacturers as well as from Japanese producers. It is thus unlikely that margins will ever be restored to the levels achieved in the late 1980s.

Shares in European manufacturers such as Volkswagen and Peugeot have risen strongly over the past 18 months in anticipation of a pronounced recovery in earnings, but the scope for recovery in Europe is hampered by social and political impediments to rationalisation. The measures taken by Mercedes-Benz and Volkswagen to cut costs look feeble in comparison with the root-and-branch restructuring pushed through by the US majors. European car manufacturers may experience a bounce in earnings from current levels, but the cyclical upside for investors is likely to be less pronounced than it has been in the US.

### Property

Reality has caught up with UK property, last year's second top-performing sector in the stock market. This year, the property index has been struggling ever since the Fed raised US interest rates. Higher bond yields and UK interest rates have added to its woes. Since the Fed moved in February, the property index has underperformed the market by 10 per cent.

For a while, property shares were sustained by expectations that economic growth would generate higher rents. Those hopes have been dashed. Although there have been pockets of progress for a few premium commercial properties in the West End of London and the City, income growth has proved elusive. Many property groups are less dependent than they were on London. But beyond the capital there have been even fewer signs of an upturn in commercial, industrial or retail rents. The market's forecasts for rental growth for the year to March have fallen from 12 per cent to about 7 per cent. There are fears it could actually reach zero.

Eventually, the effects of 3.8 per cent GDP growth must begin to filter into the market. The absence of crises that once dominated the City's skyline bears witness to the lack of new capacity in the pipeline. But it could be 1996 before rents move significantly upwards throughout the country. A case for near-term optimism is difficult to make. Some may wish to pick stocks with good portfolios. But even the more dynamic groups will find it hard to escape the malaise restraining the sector.

## Austrian ruling coalition sees its majority cut

Continued from Page 1

no longer have the two-thirds of parliamentary seats needed to secure constitutional changes.

But the coalition will be able to count on the support of the Liberal Forum, a new left-leaning party which won 5.8 per cent of the votes and 10 seats, for the vote to ratify entry into the European Union.

Mr Haider first came to international attention after making a complimentary comment three years ago on the employment policies of Hitler's Third Reich.

Three months ago, he looked serious trouble after a losing referendum campaign to persuade Austrians to vote against joining the European Union. But he bounced back in the national campaign, routing out alleged

examples of excessive patronage by the socialists and the OVP.

The erosion of support for the ruling coalition was attributed mainly to voter disenchantment with the cosy partnership between the socialists and conservatives that has controlled Austria's economic and social institutions since the second world war.

This disenchantment has been

apparent in the OVP's eroding popularity since the mid-1980s. It continued in this vote, with the party's vote share dropping from 32.1 per cent to 28.1 per cent.

However, for the first time, the socialists, were hurt, with their share falling from 42.9 per cent in 1990 to 35 per cent. Socialist leaders said last night the outcome did not undermine Mr Vranitzky's position as leader.

### FT WEATHER GUIDE

#### Europe today

Southern Benelux, northern France and Germany will be sunny, as will the central UK and Ireland. The sun will also break through in central Norway, while other sections of Scandinavia will be partly cloudy, with light showers expected in southern Finland. Further east, rain will linger over the Baltic states and north-eastern Europe. Showers, some with thunder, will break out in western Russia. However, other sections of western Russia, the Alpine area and the Balkan states, will be sunny. Along the Mediterranean, Italy will be the only country with sunshine. Elsewhere, it will be partly cloudy, and the western Mediterranean will have thundery showers.

#### Five-day forecast

Tranquil autumn conditions will prevail over the north-western continent, but depressions will begin to affect the area later in the week. As a result, more wind and showers will arrive in Scandinavia. The UK, the Benelux and Germany will have plenty of sunshine interspersed with a few clouds. Northern France and southern Germany will have showers on Wednesday. Spain and other sections of France will have little sunshine for the next few days.

#### TODAY'S TEMPERATURES

Location	Maximum	Minimum
Abu Dhabi	37	27
Accra	32	24
Algiers	26	16
Amsterdam	16	10
Athens	26	16
Atlanta	20	10
B. Aires	21	10
Bahia	21	10
Bangkok	35	25
Barcelona	20	10
Belfast	16	10
Belgrade	16	10
Berlin	16	10
Birmuda	29	17
Bogota	18	10
Bombay	35	25
Brussels	17	10
Budapest	17	10
Chengdu	13	10
Cairo	39	23
Cape Town	18	10
Caracas	29	18
Cardiff	16	10
Casablanca	24	17
Chicago	17	10
Cologne	17	10
Dakar	30	20
Dallas	25	15
Delhi	30	20
Dubai	37	27
Dublin	17	10
Durham	17	10
Edinburgh	17	10
Faro	18	10
Frankfurt	18	10
Geneva	18	10
Glasgow	17	10
Hamburg	17	10
Helsinki	17	10
Hong Kong	30	20
Honolulu	31	21
Istanbul	22	12
Jakarta	32	22
Jersey	18	10
Karachi	35	25
Kuala Lumpur	31	21
Las Palmas	26	16
Lima	23	13
Lisbon	22	12
London	17	10
Luxembourg	17	10
Lyon	17	10
Madras	34	24
Madrid	22	12
Manila	33	23
Melbourne	14	4
Mexico City	23	13
Miami	31	21
Moscow	16	6
Munich	18	8
Nairobi	24	14
Naples	16	6
Nassau	31	21
New York	20	10
Nice	23	13
Nicosia	34	24
Oslo	11	1
Paris	17	7
Perth	20	10
Prague	10	0
Rangoon	32	22
Reykjavik	16	6
Rio	26	16
Rome	19	9
S. Francisco	33	23
Seoul	18	8
Singapore	33	23
Stockholm	11	1
Strasbourg	17	7
Sydney	18	8
Taipei	24	14
Tel Aviv	35	25
Tokyo	18	8
Toronto	16	6
Vancouver	13	3
Vienna	17	7
Warsaw	11	1
Washington	16	6
Wellington	16	6
Winnipeg	16	6
Zurich	15	5

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

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## Lufthansa

## The British Petroleum Company p.l.c.



### Managed Exit from BP Nutrition

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to  
Sara Lee Corporation

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European Pet Food Division  
to  
Dalgely

Sale of the  
Agrispeciality, Animal Breeding, Aquaculture  
and European Animal Feed Divisions  
to  
Nutreco

The undersigned has provided overall advice  
on this process and has assisted with  
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Monday October 10 1994

## MARKETS THIS WEEK

**STEPHANIE FLANDERS: ECONOMICS NOTEBOOK**  
Experience in the US shows the link between unemployment and crime should be handled with care. Most people believe there is a relationship between the two. However, they recognise that a complex web of personal and cultural factors will determine whether a given individual will turn to crime. Page 20

**GERARD BAKER: GLOBAL INVESTOR**  
The invisible hand has been at work again in the Japanese stock market as Finance Ministry officials attempt to prop up share prices. Page 20

**BONDS:**  
Heavy with capital and hungry for new assets, many banks are now eager to start lending again, and have turned aggressively to the market for syndicated loans. Page 22

**EQUITIES:**  
In London the spread of forecasts by City analysts for the FT-SE 100 Share Index on December 31 widened as a poor start to the final quarter deepened the market's gloom. In New York concern over interest rates still lurks below the surface. Page 21

**EMERGING MARKETS:**  
Iraq's latest manoeuvres around Kuwait coincide awkwardly with the latest initiative from fund managers with a taste for developing countries, who are attempting to sell the Middle East as the last frontier for emerging markets investment. Page 21

**CURRENCIES:**  
The market will this week focus on US inflation, retail sale and industrial production data to get a sense of when the US Federal Reserve may next tighten monetary policy. Page 21

**COMMODITIES:**  
The world metal trade will be in London this week for the London Metal Exchange's annual jamboree. Page 20

**UK COMPANIES:**  
The triumph and tragedy which have attended the career of Mr John Broom. Page 18

**INTERNATIONAL COMPANIES:**  
Twelve international telecommunications groups have been selected to bid for the Czech Republic's national telephone monopoly. Page 19

**FT MANAGED FUNDS SERVICE:**  
From today readers in Continental Europe will receive a more streamlined version of the FT's Managed Funds Service. The service will concentrate on offshore and overseas funds, and from Mondays to Fridays will omit categories of fund which are of interest mainly to UK domestic investors. UK funds will still be listed once a week, in Saturday's FT.

**STATISTICS**

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## Rolls-Royce challenges GE's aero-engine tests

By Paul Betts, Aerospace Correspondent

Rolls-Royce and Pratt & Whitney are challenging proposals by General Electric of the US to change part of the testing procedure for large civil aircraft engines to power the new generation of Boeing 777 aircraft. The dispute, which has come before the US Federal Aviation Administration (FAA), is likely to have significant implications for the fierce competition

between the big three aero-engine makers to supply Boeing's new 777 and future jumbo jets. The controversy centres on GE's proposal to use an alternative test procedure for one of the most critical elements in the airworthiness certification process for jet engines, the "blade-out" test. Under the traditional procedure, a blade is released at its root or dovetail while the engine is running. To pass the test, the

blade and other broken fragments must be confined by the engine's containment ring to avoid the risk of metal particles flying out of the engine and damaging the rest of the aircraft. GE is proposing to separate the blade not at its dovetail but some distance above the root area. The US company, which has developed a new composite fan blade for the GE90, argues that a composite blade root failure is highly improbable. Rolls-Royce and Pratt & Whitney have already completed the tests for their respective Trent 800 and PW4048 engines under the traditional procedure.

GE's rivals are understood to be pressing for no change in the regulations since they consider this would give GE an unfair competitive advantage. They also suggest that the risk of a composite fan blade failure at the dovetail may be higher than predicted by mathematical analyses. Under the GE alternative test, the engine containment system would have to be less robust because only part of a blade would be separated.

This could give GE a marketing advantage since it is the only one of the big three engine makers opting for a composite fan blade for its heavy thrust engine. Rolls-Royce, which unsuccessfully attempted to develop an all composite blade for its RB211 powerplant in the early 1970s, and Pratt & Whitney, are using wide-chord, hollow titanium blades for their new big engines.

However, should the FAA reject the GE alternative proposal, industry experts said this could delay GE's certification programme with the possible risk that the company will not be able to deliver its first GE90s to BA on time. The FAA, which has been analysing the GE proposal for the past few months, is now expected to reach a decision soon following the submission of responses it solicited from GE's competitors.

## Richard Lapper sees banks chase a lucrative slice of Germany's giant share issue

### Geld galore in Deutsche Telekom sale

Most international bankers would not willingly submit themselves to an intensive oral examination by civil servants - especially if the language of the test is German. Yet for five days towards the end of last month, senior executives from at least 19 leading international banks patiently underwent the ordeal at the ministry of post and telecommunications in Bonn. All had spent months preparing written accounts of how they intended to sell the shares of Deutsche Telekom to international investors when the giant telecommunications company begins a massive capital-raising exercise - and "part-privatisation" - in 1995.

The mandate to organise the sale is the most hotly contested on the market. And the assessment process - conducted by civil servants from the finance and post ministries, and officials from Deutsche Telekom, has been tough. Rarely have so many banks been asked to tender for international equity offers - only four or five were involved in other recent European cases. Whoever eventually wins the mandate, all those competing agree that the prize is highly attractive. Bankers will earn fees for raising at least DM10bn (£4bn) and possibly up to DM20bn in a deal which will dilute the government's existing 100 per cent ownership of Deutsche Telekom. They are expecting the "fee pool" to amount to at least DM350m on the assumption that the fee structure will be similar to that adopted when the govern-



ment sold part of its stake in Lufthansa, the national airline, last month. In the Lufthansa deal, fees for distribution are understood to have amounted to 2.1 per cent, with fees related to administration and underwriting amounting to a further 1.4 per cent, for a total of 3.5 per cent. Two German banks - Deutsche Bank and Dresdner Bank - helped the government in last month's assessment process, and are widely expected to be asked to place shares with German institutional and retail investors. They may also be offered part of the international issue.

Analysts expect roughly 40 per cent of the issue to be placed with international investors, implying that a minimum of some DM150m could be left for the international placement. A big chunk of that would go to the international bank which wins the role of global co-ordinator.

Overall the immediate fees available for international bankers are not considered by bankers to be especially lucrative, compared to some recent exercises. Bankers are said to have earned more than \$100m (£50m) in fees from one recent smaller Latin American issue, mainly because fee rates were higher. And the overall task of marketing the issue, Germany's second global equity issue, will not be easy. It will partly depend on the parallel organisation of a retail issue in Germany, in a country where equity investment is unfamiliar.

Morgan Stanley and S.G. Warburg are among those mentioned by competitors as strong contenders. It is Goldman Sachs, however, that has the closest links with Deutsche Telekom. Goldman advised it in its largest ever acquisition, that of Hungarian telecommunications company Matav. "It will be difficult to prise the mandate away from Goldman," says a banker at a rival US firm. The winner would still need to allocate some of the fee for the international placement to rival banks which would distribute smaller packages of

shares internationally. Typically, banks earn between 2 per cent and 12 per cent of the lead bank fees for these subsidiary roles, known, for example, as "lead co-management", "co-management" or simply "management". In addition, the losers might also compete for another "runner up" prize since a separate bank is likely to be appointed to advise the German government on its strategy.

Set against these difficulties are two long-term attractions. Bankers know that the winner of this first stage will be in pole position to win business stemming from the future capital-raising exercises that analysts expect to take place over the next five years, and after the expiry of current legal restrictions in 2000, a possible fully fledged privatisation. With Deutsche Telekom currently valued at between DM50bn and DM80bn, the ultimate size of the prize for bankers could be very considerable indeed. "If you win the first tranche the chances are you will get a senior role in

the others," says one UK merchant banker. "It's a landmark transaction. The perception is that anyone winning their spurs doing it can expect to be in on the later stages of the deal," adds a rival. And the winning bank would be in a good position to compete for mandates stemming from other telecommunications privatisations, planned elsewhere in Europe, Latin America and Asia. "Among the banks which are understood to have sent submissions: Morgan Stanley, Merrill Lynch, Goldman Sachs, Lehman Brothers, Salomon Brothers, S.G. Warburg, Kleinwort Benson, Barclays de Zoete Wedd, National Westminster, N.M. Rothschild, Robert Fleming, Swiss Bank Corporation, CS First Boston, Union Bank of Switzerland, and several French banks, including Banque Paribas, Société Générale and Banque Nationale de Paris.

Additional reporting by Nick Denton and Andrew Fisher

## UK fund managers optimistic about gilts

By David Wighton

UK fund managers are much more optimistic about gilts following last month's base rate increase according to the latest Smith New Court/Gallup survey of institutional investors. The balance of fund managers looking to increase gilts holdings has jumped to 47 per cent from 4 per cent in September. Smith New Court believes this may reflect the impact of the base rate rise on inflation. The survey shows Japanese equities returning to favour with the balance of institutions looking to increase their weighting from 21 per cent to 44 per cent. But fund managers are cautious about the prospects for US and continental European equities. The balance of fund managers looking to reduce exposure has risen to 26 per cent and 25 per cent respectively.

UK equities have fallen out of favour slightly, with the balance of those planning to add to holdings slipping from 15 per cent to 7 per cent. Fund managers are slightly less optimistic about the outlook for the UK economy and corporate earnings but still bullish about share prices. Among individual sectors, institutions are most positive about pharmaceuticals, engineering and diversified industrials. Among the least favoured are construction, general retailers and - following last week's profits warnings from S.G. Warburg and Hambros - merchant banks. Following last month's interest rate rise, fund managers are predicting UK base rates of 6.8 per cent in a year, compared with a 6.4 per cent forecast in the previous survey.

## This week: Company news

### J.P. MORGANUS BANKS Expect better news from Main Street than Wall St

Predicting the quarterly profits of banks which trade heavily in the financial markets has become a hazardous business.

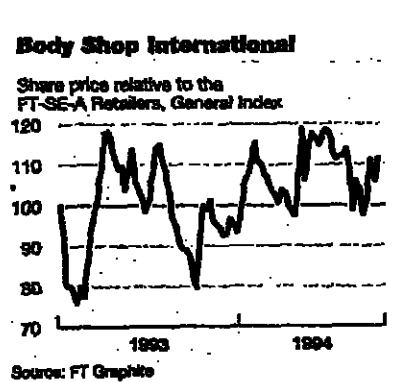
After the upheaval in bond and stock markets - and a profits warning from Salomon Brothers' last week - J.P. Morgan's third-quarter figures will be approached with caution on Thursday.

During the record 1993, Morgan's income from trading averaged \$514m a quarter. In the first six months of this year, that average fell to \$324m - roughly the level most analysts expect for the latest period.

Largely as a result, earnings per share at the New York-based bank are generally expected to fall from \$2.29 a year ago to the \$1.50-\$1.60 range. For most other big US commercial banks, whose results come in the following days, the news from the third quarter is likely to be far more predictable: continuing declines in bad debt provisions, a slight depression in lending margins as interest rates rise, and accelerating loan growth in some areas should underpin solid (if unspectacular) earnings gains.

Average earnings per share growth is put at about 10-12 per cent. The best year-on-year improvements are expected to come from banks where provisions have firmed up, or which operate in areas which have shown the greatest economic improvement.

West Coast institutions such as BankAmerica and First Interstate, along with most of the big New York banks, are high on most analysts' lists. Solid earnings per share improvements are expected from BankAmerica (up to \$1.37 from \$1.13 a year before.) Citicorp (\$1.20, compared with 97 cents) and NationsBank (up to \$1.55 from \$1.32), among others.



### BODY SHOP INTERNATIONAL Healthy results could mute critics' voices

Body Shop International, the UK-based natural cosmetics retailer, will try on Thursday to put a summer of criticism over its ethical credentials behind it and focus attention on its trading prospects, as it announces interim results. Analysts are looking for a healthy increase in pre-tax profits from \$10m to about £11.5m for the half year to August 30. Total sales are forecast to have increased 15 per cent.

Sales in the US, where Body Shop has added 60 new stores, are expected to be about 30 per cent ahead. The results could boost Body Shop's share price, which has shown some recovery recently after falling more than 15 per cent in August amid criticisms of the company's "green" standards. Franklin Research, the US ethical investment fund, sparked the debate by advising clients to sell shares partly because of fears that an article in US magazine Business Ethics might prove damaging. The criticisms, vigorously countered by Body Shop, do not appear to have damaged sales, and the company has since been backed by other ethical investment funds. Franklin, however, published its own report concluding some of the criticisms were justified.

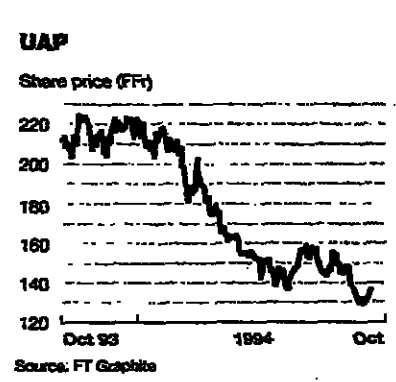
Most analysts feel Body Shop has weathered the storm. House broker NatWest Markets predicts annual profit growth of between 15 and 20 per cent over the next five years.

### OTHER COMPANIES UAP's advance to be held back by Worms

Union des Assurances de Paris, one of France's largest insurance groups, is due to publish interim results on Wednesday, with some analysts predicting profits up slightly to FF1.1bn-FF1.3bn (\$200m-240m). It made FF1.1bn in the first half last year. Profits on insurance may be dragged down slightly by continuing - though smaller - losses at Banque Worms. There will be no reflection in the results of recent acquisitions, including Provincial, the UK non-life company, and the outstanding shares in Colonia, the German insurer.

Chrysler: The good news from US carmakers looks set to continue into the final months of this year. Despite the potential damage done to sales by higher interest rates, all three big producers continue to have trouble meeting demand. Chrysler, which tomorrow will be the first of the three to report third-quarter figures, made \$360m after tax a year ago; this time, most expectations are running at about \$50m. Mr David Healy, motors analyst at S.G. Warburg in New York, is even more optimistic. With vehicle sales up by as much as 100,000 over a year ago, net income could reach \$75m, he says.

Lucas Industries: Mr George Simpson's first set of results as chief executive is likely to include provisions of up to \$100m (\$150m) for restructuring. Before provisions, annual



pre-tax profits at the UK automotive and aerospace components supplier, are forecast at \$60m to \$80m, up from \$50.3m.

Scottish Television: Interim pre-tax profits, announced today, are expected to rise from £3.13m to £3.9m, but advertising revenues could be weak.

Si Ives: The UK's largest independent printer is forecast to announce annual pre-tax profits of about £26m, against £22.1m, tomorrow.

Lloyds Chemists: The UK's second-largest chain of chemists' shops is expected to announce annual pre-tax profits of about £56m on Wednesday.

Gardner Merchant: The largest contract caterer in Europe announces interim results on Wednesday. Plans to float the UK group, bought out from the hotel group Forte, appear unlikely to go ahead until next spring.

**Companies in this issue**

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## Going Private



### Telia and friends build Italy's private GSM network

Italy, with its more than 57 million people, is rapidly taking to mobile telephony. Last year the number of users increased by more than 50% to around 1.2 million, and that is merely a taste of the avalanche to come. Right now, a resourcful international consortium, Omnitel Pronto Italia, is building a nationwide GSM network. For the first time ever, the Italian state monopoly will be challenged by a private alternative. Telia is part of it, and that should surprise nobody. Thirteen years ago, Telia in Sweden introduced what is now the world's most successful mobile telephony service. The company, actively involved in the development of the GSM technology, is also engaged in similar business operations in eastern Europe, Africa and South America.

Yet, mobile communication is merely one of Telia's many talents. In the UK, it is one of the first foreign-owned companies licensed to provide international telephony services. In Estonia, the company is a part-owner of the public telephony service and deeply committed to the modernization of the country's national and international telecommunications. Together with PTT Telecom Netherlands, Swiss Telecom PTT and, shortly, Telefonos de Espana, Telia is a part-owner of Unisource - a leading European supplier of global managed network services for the international business community. Wherever you are, and whatever your business, Telia is there to boost your performance, any way you can.

**telia**  
Your Swedish Telecom Partner

## COMPANIES AND FINANCE

## T&N poised to sell Goetze elastomers side

By Tim Burt

T&N, the automotive components and engineering group, is this week expected to raise more than £20m from the disposal of part of Goetze, the German piston ring producer acquired last year for DM250m (£102m).

The deal is expected to involve Goetze's elastomers business, which manufactures rubber and metal bonded components.

A senior official at T&N indicated this could be the first of a series of non-core disposals

aimed at reducing the group's £382.6m net borrowings, equivalent to gearing of 80 per cent.

Such sales and improved second-half cash flow could cut gearing to about 50 per cent by the year end, the official predicted.

The strategy is designed to give the group additional borrowing resources should it decide to buy a majority stake in Kolbenschmidt, a leading German motor components producer.

TS&N announced last month that it had agreed to acquire

options on a 52.2 per cent stake in the piston and bearings company.

The acquisition opportunity arose after Metallgesellschaft - the troubled German metals, mining and engineering group - decided to sell its 47 per cent holding, while Magna International, the Canadian automotive components group, is to reduce its stake from 12.5 per cent to 2.5 per cent.

If T&N exercises its options, it would greatly strengthen its position in the German pistons market, the largest in Europe.

## Securities vendors link up

**By Martin Brice**

Three systems of electronic settlement of securities trading link up today, bringing paperless trading a step closer.

The link allows paperless trading between subscribers to *Sequal*, the London Stock Exchange's system which confirms individual share transactions, the International Securities Markets Association system called *Trax*, and Thomson Financial Services' system, *Oasys*.

The move follows a year of testing the system of electronic trading confirmation between

the three vendors. Many institutions and brokers have backed the introduction of ETC, but few have subscribed to a system because until now they would have had to subscribe to all three to confirm trades with each other.

ETC is a screen-based process which replaces the practice of sending paper contract notes between brokers and clients. It also shortens the time taken to confirm equity or fixed-income trades between brokers and institutions.

Ms Christine Dann, director

of operations at the London Stock Exchange said: "The successful conclusion of the inter-  
vender links illustrates how we can work together to provide solutions to the markets' needs."

Mr Roy Lambert, managing director of ISMA said: "This link will encourage as many participants as possible to adopt ETC on all trades."

● Thomson Financial Services signed an agreement to become the sole provider of electronic trade confirmation services for sicovam, the French central depository for securities, earlier this year.

CROSS BORDER M&A DEALS				
BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Reed Elsevier (UK/Netherlands)	Medi Data Central (US)	Publishing	£955m	Move for electronic leadership
Hanson (UK/US)	Assets of Carter Mining (US)	Mining	£229m	Peabody cash for coal
J Sainsbury (UK)	Giant Food (US)	Retailing	£205m	Stake bolsters US presence
Axa (France)	Borealis Assurances (Canada)	Insurance	£76.4m	Completion expected soon
Rabobank (Netherlands)	PIBA (Australia)	Banking	£48m	Asian build-up strategy
Nomura Securities (Japan)	VUB Kupon (Slovakia)	Fund management	£39m	Taking 26% stake
Watts Blake Beame (UK)	MPR (Germany)	Specialist clays	£11m	European expansion planned
Walker Greenbank (UK)	Topward (Netherlands)	Distribution	£0.54m	Renewed international expansion
Avesta Sheffield (UK/Sweden)	Eastern Stainless (US)	Steel	n/a	Buying US assets
Emerson Electric (US)	FG Wilson (UK)	Engineering	n/a	Preliminary agree-

## Strong overall trend in MBOs

By Richard Gourlay

Management buy-out and buy-in activity in the UK was sharply higher in the third quarter of the year compared with the same period last year, according to the Centre for Management Buy-Out Research at the University of Nottingham.

Estimated third quarter activity rose nearly 5 per cent to £750m after a 15 per cent rise to £1.75bn in the first half of the year.

CMBOR's figures did not include the £366m buy-out of Nutreco, the animal feeds business bought from BP, which the centre considered an inter-

**CMBOB**, which is sponsored by Barclays Development Capital and Touche Ross Corporate Finance, said there was a particularly strong jump in management buy-in activity which accounted for more than a third of the value of deals in the first half.

**Ken Robbie**, CMBOB research director, said there had also been a sharp fall in the number of completed MBOs in London and the south-east of England. Correspondingly, there was a sharp increase in the number and value of deals in the Midlands.

The strong overall MBO

trend was confirmed by KPMG-Peet Marwick. The accounting firm said there were 16 MBOs with a deal value of more than \$100 million in the third quarter. KPMG-Peet Marwick also ranked fourth for MBO activity leading to a five-year record level of deals valued at more than \$3.3bn.

Mr Chris Beresford, KPMG's head of MBOs, said there were "plenty of MBOs" being "worked on." But he called on companies to be "cautious" and "wishes to sell to give greater consideration to MBO's in preference to trade sales. "I feel strongly that sellers should encourage managers, not stifle them," said Mr Beresford. "With their intimate knowledge of a company's potential and the current weight of funds available for investment, the MBO team can often be the highest bidder."

## A tale of triumph and tragedy

## Simon London charts the career of the flamboyant John Broome

**M**r John Broome has always worked on a grand scale. His 1,200-acre Carden Park leisure development in Leicestershire, which he and his wife, Lesley, were appointed last week, is only the latest in a string of ambitious projects.

Carden is certainly a visionary exercise. The complex boasts an 18-hole golf course and one of Europe's most northerly commercial vineyards. Work so far has involved planting nearly 30,000 trees, 10 acres of vines, and restoring 14 miles of dry stone walls.

Aimed squarely at the corporate hospitality market, sports on offer include croquet, bowls, fly-fishing, game shooting, hot-air ballooning and archery.

More than £20m has been

---

**JOHN BROOME**

1943: Born near Chester, the son of a headmaster.  
1968: Elected a county councillor.  
1973: Marries Jane Bagshaw whose father owns All Towers.  
1987: Buys 1,200 acre Carden Park estate for undisclosed sum.  
1987: Buys Battersea Power Station from Central Electricity Generating Board for £15m.  
1990: Sells All Towers to Pearson Group for £60m.  
Feb 1993: Control of Battersea passes to Whang brothers.  
1993: Sells All Towers to Sir Streton Hall for £3m to raise funds for Carden Park.  
October 1994: Receivers appointed at Carden Park.

His involvement with the Alton estate dated from his marriage in 1970 to Joan Bagshaw, whose father owned the former seat of the Earls of Shrewsbury.

By the time it was sold for £50m in 1990 to Pearson Group, the media and leisure company which owns the Financial Times, Alton Towers was the country's most popular paid tourist attraction outside London.

Tragedy stands in the shape of Battersea Power Station, Gilbert Scott's masterpiece on the banks of the Thames.

When Mr Browne bought the Grade 2 listed building from the Central Electricity Generating Board in 1987 he was seen as one of the few entrepreneurs capable of seeing the project through.

It was supposed to

But problems beset Battersea from the outset. The foundations were found to be suspect. Blue asbestos had to be stripped out.

The project's financial foundations proved inadequate to take the strain and Battersea Leisure Group was put into liquidation last year.

Hong Kong property developers George and Victor Hwang bought the company's debt at a discount and now have effective control of the site. Work on a re-designed leisure and retail complex is expected to start next year.

But financial reverberations from Battersea are still being felt. In June, Battersea Leisure's liquidator issued a writ seeking the return of the company's assets from the bankrupt Alton Towers six years ago.

## **Eurovein float to raise £14m**

**Dr. Andrew Baxter**

Eurowein, a Sheffield-based specialist engineering concern which has emerged from WA Tzysack, the old quoted company, is to raise £14m through a share issue designed to pay off debts and enable it to expand.

The flotation, announced yesterday, will involve a full Stock Exchange listing for Eurowein, best known in the UK for its Spencer & Halstead shotblasting equipment and Tzysack machine knives.

It will mark the return to the stock market of Mr Bill Eastwood, who was responsible for putting together WA Tzysack between 1987 and 1989. Eurowein's managing director, Mr Don Stain, says on WA Tzysack's balance sheet.

WA Tzysack went private in 1989 via a heavily-leveraged £42m management buy-out, in which neither Mr Eastwood or Mr Stain was involved. They formed Eurowein the same

year, acquiring most of the old company's component businesses for £25m.

Only two years later, however, the buy-out vehicle, GSC, collapsed - a victim of recession and its own financial structure. This gave Eurov the opportunity to buy GSC's remaining businesses from receiver for £21.2m.

The re-established Eurov now has three businesses, "the largest, surface treatment, makes shot-blasting equipment, used widely in industry to clean components before painting. It has operations in the UK, Germany and Italy."

The other two businesses "filtration, based around French company Eurofil and compaction."

Mr Eastwood said Eurov's sales fell sharply in 1991, prompting a search for new markets in eastern Europe, east Asia and the Americas, and a cost-cutting drive. "The most important step was transfer of shotblast equipment

The recent trading record is much improved, with operating profit of £2.6m (£1.6m) in the year ended July 31. Sales of £35.7m (£29.1m). At the pre-tax level it had a profit of £535,000 (loss of £1.3m).

Mr Eastwood said the businesses generated cash sufficient to service the group's debt, but Eurovsn's financial structure prevented it from expanding. There were opportunities for organic growth or acquisition in the three divisions, and the acquisition of a fourth leg in specialist engineering was not precluded.

The situation, which is being handled by Albert E Sharp, the brokers, and has yet to be priced, will eliminate Eurovsn's £14m term debt.

New shareholders will end up with slightly more than 50 per cent of the company, as none of the current investors which include Hambro Group Investments and 3i are selling.

## Try director stands down

**By Christopher Price**

Try Group, the construction and housebuilding group, said on Friday that Mr Terry Wood, managing director of the Try Build building subsidiary and a main board director, had resigned with immediate effect.

No reason was given for the move, although the company later elaborated that Mr Wood was "retiring of his own vocation".

Mr Wood, 54, joined Try in 1989 from R Mansell, the building group. He was appointed to the main Try board in 1992.

### **Eman purchase**

**Emap** has acquired **Devon-based Sewells International**, a privately owned publisher of motor industry information, including *Car Digest* for £880,000 cash.

**JOHANNESBURG CONSOLIDATED INVESTMENT COMPANY, LIMITED**  
(Incorporated in the Republic of South Africa)  
Registration number 01/00429/06

**NOTICE TO HOLDERS OF SHARE WARRANTS TO BEARER  
ISSUE OF NEW COUPON SHEETS**

Notice is hereby given to holders of share warrants to which new sheets of coupons nos. 138-143, inclusive, with talons attached, may be obtained against surrender of talon no. 6 detached from share warrants to bearer to Barclays Bank Plc, Barclays Global Securities Services, 8 Angel Court, Throgmorton Street, London EC2R 7HT.

Talons must be listed on forms obtainable from Barclays Global Securities Services and deposited on any week-day (Saturdays excepted) and left at least seven clear days for examination.

Holders of share warrants to bearer are reminded that they may reconvert their bearer shares into registered shares by surrender of their bearer warrant. Talon and outstanding coupons together with a reconversion form which may be obtained from Barclays Global Securities Services.


**DIVIDEND NO. 137 ON SHARE WARRANTS TO BEARER**

Pursuant to the notice published on 7th September 1994 holders of share warrants to bearer are informed that payment of the above dividend will be made at the rate of exchange of 1 rand equals 177.116361 on or after 24th October 1994 upon surrender of coupon nos. 138 to Barclays Bank Plc, Barclays Global Securities Services, 8 Angel Court, Throgmorton Street, London EC2R 7HT.

	Amount Per Share UK Currency
Gross amount of dividend declared Lew. South African Non-Resident Shareholders Tax: 10.29%	37.2932
Amount payable where a UK Island Revenue declaration is lodged with coupons	2.8047
Lew. United Kingdom Income Tax @ 9.72% on the gross dividend (See notes 1 & 2 below)	2.44785
Amount payable where coupons are lodged without a UK Island Revenue declaration	2.6519
Coupons must be listed on forms obtainable from Barclays Global Securities Services and deposited for examination on any week-day (Saturday excepted) at least seven clear days before payment is required.	21.8266

**Johannesburg Consolidated Investment Company (London), Limited**  
London Secretaries  
P E C Dexter  
Secretary

St. James's Place  
LONDON SW1A 1NP  
10 October 1994



## GROUPE SUEZ FIRST-HALF RESULTS SHOW A SUBSTANTIAL ADVANCE

The Board of Directors of Compagnie de Suez, chaired by Gérard Worms, met October 4, 1994 to review the consolidated financial statements for the first six months of the year. First-half 1994 financial highlights were as follows:

(in FRF millions)	1993	1st-half 1993	1st-half 1994
Net operating income (loss)	(1,268)	135	478
Net non-operating income	2,567	381	317
Effect of changes in accounting principles	276	-	-
<b>TOTAL</b>	<b>1,575</b>	<b>516</b>	<b>795</b>

Net income of Suez for the first-half of 1994 amounted to FRF 795 million, substantially higher than for the first six months of 1993.

The FRF 343 million growth in net operating income during the first half of 1994 (FRF 478 million versus FRF 135 million for first-half 1993) reflects good performance by all Group subsidiaries. This satisfying result was achieved despite difficult markets and a tough business environment for banking activities and, once again, heavy provisions related to the depressed French real estate market.

Net non-operating income was FRF 317 million. It resulted from the estimated loss incurred on the sale of Groupe Vieoire, provisions for impairment in value of securities and other elements, and various capital gains relating, in particular, to the sale to Unibail of the major part of C.F.I.'s real estate assets.

Following four years of asset disposals to reduce the indebtedness of Group holding companies, to finance the effects of the crisis in French real estate, and to regain room for maneuver, Suez today has the wherewithal to accelerate the development of Group businesses and, either through them or directly, to capitalize on the best opportunities for growth.

October 5, 1994

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 <p><b>Cheung Kong Finance</b>  <b>Cayman Limited</b>  <b>U.S. \$500,000,000</b>  <b>Guaranteed Step-Up Floating Rate Notes</b>  <b>due January 2001</b></p> <p>For the interest period 6th October, 1994 to 6th January, 1995 the Notes will carry an interest rate of 6.17031% per annum, with an interest amount of U.S. \$7.84 per U.S. \$5,000 Denomination Note and U.S. \$1,576.56 per U.S. \$10,000 Denomination Note, payable on 6th January, 1995.</p> <p>Licensed as the Luxembourg Stock Exchange</p> <p> <b>Bankers Trust</b>  <b>Company, London Agent Bank</b></p>	 <p><b>IRISH PERMANENT BUILDING SOCIETY</b></p> <p><b>\$100,000,000</b>  <b>Floating rate notes 1998</b></p> <p><i>Notice is hereby given that for the interest period from 6 October 1994 to 6 January 1995 the notes will carry an interest rate of 6.30% per annum. Interest payable on 6 January 1995 will amount to \$158.79 per \$10,000 note and \$1,537.95 per \$100,000 note.</i></p> <p><b>Agent: Morgan Guaranty Trust Company</b></p> <p><b>JPMorgan</b></p>
<p><b>DO YOU WANT TO KNOW A SECRET?</b></p> <p>The I.D.S. <i>Gann Service</i> will show you how the markets <b>REALLY</b> work. The amazing trading techniques of the legendary W.D. Gann can increase your profits and control your losses. What? That's the secret. Ring 081 474 0080 to book your FREE place.</p> <hr/> <p><b>Currency or Bond Fax - FREE 2 week trial also daily gold and silver rates</b></p> <p>from <b>Chart Analysis Ltd</b>  <b>7 Swallow Street, London W1R 7PH, UK</b>  <b>exchange and specialists for over 20 years</b>  <b>Dep. Ltd by the City of London Authority</b></p> <p>ask: <b>Anne Whitby</b>  <b>Tel: 0171 734 7174</b>  <b>Fax: 0171 239 4956</b></p>	

(1) The gross amount of the dividend for use for United Kingdom Income and Surplus Tax is £27,263,000.

(2) Under the Double Taxation Agreement, between the United Kingdom and the Republic of South Africa, South African Non-Resident Shareholders ("Tax applicable to the dividend is allowable as a credit against the United Kingdom tax payable in respect of the dividend. The deduction of tax at the reduced rate of 9.72% instead of at the standard rate of 20% represents an allowance of credit at the rate of 10.28% in respect of South African Non-Resident Shareholders' Tax.

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**Notice of Early Redemption in Respect of  
Alliance & Leicester Building Society  
£50,000,000  
Subordinated Variable Rate Notes 1998**


**NOTICE IS HEREBY GIVEN** to the holders of the £50,000,000 Subordinated Variable Rate Notes 1998 (the "Notes") of Alliance & Leicester Building Society (the "Issuer" that, pursuant to Condition 5 (b) of the Note, the Issuer will redeem all of the outstanding Notes at their principal amount on the Interest Payment Date falling on 11th November, 1994, from which such date interest on the Notes will cease to accrue.

Payments of principal and interest on the Global Note will be made subject to and in accordance with the respective rules and procedures of Euroclear or Cedel, as the case may be and will only be made upon certification as to non-USA beneficial ownership as provided in the Global Note.

Claims for payment of principal will become valid ten years and claims for payment of interest will become valid five years after the Relevant Date as defined in Condition 6 of the Notes.

Accrued interest due on 11th November, 1994, will be paid in accordance with the procedures of Euroclear or Cedel, as the case may be.

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 <b>Bankers Trust Company, London</b>	<b>Agent Bank</b>
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10th October, 1994

**ABN-AMRO**

**ABN AMRO BANK N.V.**

**US\$ 100,000,000**  
**Subordinated Collateral**  
**Floating**  
**Rate Notes**  
**1993 due 2005**

In accordance with the terms and conditions of the Notes, Issuer is hereby given that for the interest period October 10, 1994 to April 10, 1995 the Rate of Interest has been fixed at 5.8125 per cent. and that the interest payable on the relevant Interest Payment Date, April 10, 1995 against Coupon No. 4 in respect of US\$ 1,000 nominal of the Notes will be US\$ 29.39, in respect of US\$ 10,000 nominal of the Notes will be US\$ 293.85 and in respect of US\$ 100,000 nominal of the Notes will be US\$ 2,938.54.

**ABN AMRO BANK N.V.**  
**October 6, 1994**

**LEGAL OPINION**

No. 000008 of 1994

**IN THE HIGH COURT OF JUSTICE**  
**CHANCERY DIVISION**

**COMPANIES COURT**

**IN THE MATTER OF**  
**INNER CITY ENTERPRISES PUBLIC**  
**LIMITED COMPANY**

**AND**

**IN THE MATTER OF THE**  
**COMPANIES ACT 1985**

**NOTICE IS HEREBY GIVEN** that a petition was presented to Her Majesty's High Court of Justice on the 29th day of September 1994 for the confirmation of the reduction of the capital of the above-named Company from £10,000,000 to £0.125,000.

**AND NOTICE IS FURTHER GIVEN** that the said Petitioner is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Central London WC2A 1PL, on Wednesday next 19th day of October 1994.

**ANY** creditor or shareholders of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of share capital should appear at the time of the hearing in person or by Counsel for that purpose.

**A copy** of the said Petition will be furnished to any such person requiring the same by the confirmation of the said reduction of share capital or by Counsel for that purpose.

Dated this 10th day of September 1994

**Dezmon Hale**  
**5/Francis Leane**  
**Clifford's Lane**  
**London**  
**EC4A 1BB**  
**Ref: HPL/CHQ/78(11C)**  
**Tel: 071 422 3122**

**Solicitors for the above-named Company**

## THE SMART CARD, INVENTED BY ROLAND MORENO, IS 20

From 18 to 20 October, at the Palais des Congrès in Paris, the Cartes 94 exhibition will celebrate the first smart card systems 20<sup>th</sup> birthday. The various events will be marked by the presence of the inventor, Roland Moreno, founder of the Innovatron Group.

An invention furthered by Innovatron's licensing policy  
It all began when Roland Moreno, between 1974 and 1979, filed the two families of smart card systems pioneer patents. The result of an open and attractive licensing policy was a remarkable growth for the smart card market. Public telephones, bank transactions, health, mobile phones,.... these have all benefited immensely from the extraordinary development. To date, Innovatron has granted over 2000 companies throughout the world and the accumulated flow of royalties should amount to FF800m for the years 1974-2000.

A licensing policy to last until the year 2000  
The patents known as the second family patents, relating to the card/reader interface, were filed by Roland Moreno in 1978-79. Those patents, called "SCLIIP" (Smart Card Link Interface Finder) are now used in all smart card systems and will expire, depending on the country, between 1998 and the year 2000.

The German Patent Office, whose analyses are acknowledged worldwide, played a decisive role in clarifying for the Innovatron licensees the scope and validity of the "SCLIIP" patents; in July 1994, it dismissed the opposition filed by Landis & Gyr, one of the main Innovatron licensees. The validity of the "SCLIIP" patents family has once again been confirmed and Innovatron will therefore continue to conclude license agreements for the second family patents.

*During Cartes 94, a conference on "Innovatron's licensing policy: 1974-1994" will be held on Tuesday, 18 October at 6 p.m. on level 7 of the Palais des Congrès. For further information, please contact the Innovatron Group Information Services Department. Tel: 33/1/40 13 39 40 - Fax: 33/1/40 13 39 49*

Why there's  
reasons to  
10,000 members  
31st October



# IBM in bid to reclaim PC leadership with 'Warp'

1. *Chlorophyll a* (Chl *a*)

1. *Chlorophyll a* (Chl *a*)



エマー・ジ・マーケットの  
ベストバンク

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# FINANCIAL TIMES

## MARKETS

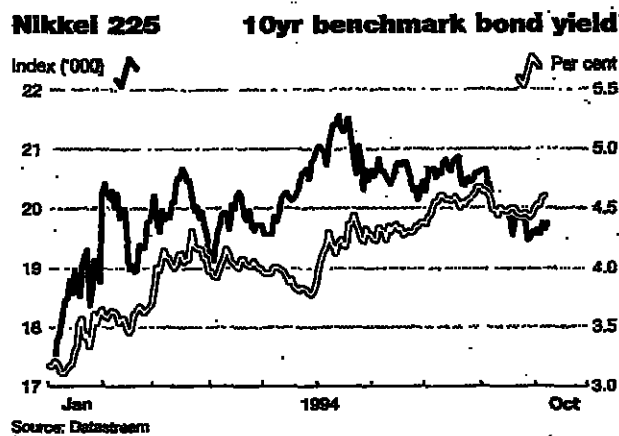
### THIS WEEK

Best Emerging  
Markets Bank

ING BANK

Global Investor / Gerard Baker in Tokyo

## The invisible hand



Source: Datastream

presumably stop, since the listing will be safely away. The market will then be free to resume its downward path. If, on the other hand, the worst fears are confirmed, the stock to confidence is likely to be so great that the weight of adverse sentiment will punch right through the government's support level.

In other words the real problem is not in fact the price of the issue, nor the circumstances of its listing, though once again these could have been better handled, but the simple fact that the market is in no mood to absorb this massive injection of equity. The JT cash call of about ¥360bn comes on top of a succession of convertible bond issues in the next few weeks that may take another ¥400bn. With average daily trading values at not

**Total return in local currency to 6/10/94**

	US	Japan	Germany	France	UK
Cash	0.09	0.05	0.02	0.10	0.10
Week	0.41	0.21	0.42	0.46	0.42
Month	3.50	2.44	5.58	8.13	8.50
Year					
Bonds 3-5 year	-0.33	-0.51	-0.28	-0.34	-0.29
Week	-2.25	-0.94	-0.82	-0.14	-0.14
Month	-2.98	-0.82	-1.78	-0.47	-0.40
Year					
Bonds 7-10 year	-0.62	-0.89	-0.85	-0.93	-0.36
Week	-2.50	-0.90	-0.83	-0.77	-0.19
Month	-2.98	-0.89	-1.40	-0.75	-0.37
Year					
Equities	-2.1	0.2	-3.8	-1.7	-0.4
Week	-3.8	-1.7	-9.0	-6.1	-6.9
Month	-3.9	-3.0	-1.3	-8.5	-3.7
Year					

much higher than ¥250bn, this is an impossible burden for investors to bear.

Individuals, on whom most hopes for equity market recovery are pinned, have been repeat its slump of a year ago. The coming half-year reporting season is expected to help prices. But these supply-driven difficulties, by dealing a further blow to individual investor sentiment, have probably

postponed yet again a lasting recovery for Japanese equities.

### Interest Rates

Amid the mayhem, the economy continues to emerge from its permafrost recession at a suitably glacial pace. Second quarter gross domestic product figures came as a rude shock to some analysts who had hoped to see the first quarter's rapid growth sustained. That was never likely though, since the first three months' figures were themselves inflated by a sharp downward revision to the previous quarter's data.

This confusing roller-coaster picture is not a true and fair representation of the economy's performance, of course. The longer term, more reliable figures suggest first half growth of about 0.4 per cent, which should mean full-year growth for 1994 of a little below 1 per cent, picking up speed to perhaps 2.5 per cent next year.

This would be a painfully slow recovery even by British standards, but by Japanese experience it is almost imperceptible. All the less reason then for the bond bears to continue to dominate as they have - yields rose this week close to the 5 per cent level. The discount rate has now been held at the historically low 1.75 per cent for more than a year and the steeper yield curve sug-

gests that the market is expecting an increase in short term rates soon. It would be unwise to count on it.

Bond yields shot up in the first half of the year along with those in the rest of the world. However, in Japan, the strong recovery on which that increase was predicated has not materialised, but yields have yet to adjust accordingly.

All the inflation data points to stable or falling prices - unemployment continues to rise; figures last week that showed the first fall in nominal incomes for 44 years; and the yen stays stubbornly high - suggesting that monetary conditions should be tight enough even for the most predatory inflation hawk. Indeed, should the recovery continue to show scant sign of strengthening, another cut in the discount rate should not be ruled out.

What is more, a new governor of the Bank of Japan will take office in December. It is difficult to imagine that he could be tougher on inflation than Mr Yasuhiro Mieno, the current incumbent, who raised interest rates three times within eight months of taking office four years ago, bringing down the curtain on the unrelenting bubble economy, but bringing with it Japan's longest postwar recession. His successor is not likely to emulate that.

## London hosts metals jamboree

The world metal trade and its entourage will be in London this week for the London Metal Exchange's annual jamboree.

As dealers, analysts and industry executives mingle at lunches, conferences, seminars and, of course, tomorrow's LME annual dinner, a frequent topic of conversation is sure to be the recent surge in the prices of most metals - can it be maintained, especially if the investment fund money that played a large part in fuelling it is attracted elsewhere?

The underlying force for the climb in metal prices is demand from end-users, as is shown by the premiums being paid for certain types of metal in certain places," Mr David King, the LME chief executive, told the Reuters news agency last week.

Some senior LME traders are concerned, however, about the growing influence of the investment funds. "These funds owe no loyalty to commodities," one pointed out. "They could bring instability to the market when they try and take profits."

But that view was not shared by Mr King. "It would be dangerous," he suggested, "to exaggerate the importance of fund investment in driving prices higher."

LME Week gets under way today with the start of a two-day conference on the metal industry of the former Soviet Union and a lunch given by the American Metal Market publication.

The London-based Metal Bulletin magazine holds a seminar tomorrow on the role of investment activity in base metals markets. And in the evening, guests at the LME annual dinner will hear speeches by Mr Raj Bagri, the exchange's board chairman, and Mr Juan Villarru, president of Codelco, Chile's state-owned metals and mining concern.

The fun continues on Wednesday with a Japanese Metal Mining Agency forum and a presentation by Magna Copper, the US company that last week made the winning bid in the auction sale of Tintaya, Peru's second biggest copper mine.



Mr Tony Blair, the Labour party leader, has pledged that any Labour government will be tough on crime, and on its labour market causes. His two-sided approach was well captured by the reference to an "unemployed youngster" stealing a radio in last week's speech at the party conference.

That there is a relationship between the two certainly fits with most people's basic intuitions. Time being the Devil's Hand Maiden, it "stands to reason" that young people with nothing to do are more likely to commit crimes than those who spend their days at work.

Some of the same bar-stool wisdom accounts for the abiding popularity of the "lock 'em up" rhetoric more likely to feature at this week's Conservative party conference. Other things equal, it seems obvious that crime would fall, if only the criminally inclined individuals were given less opportunity to commit crimes. The only difference is whether you think 24-hour supervision is the answer, or merely nine-to-five.

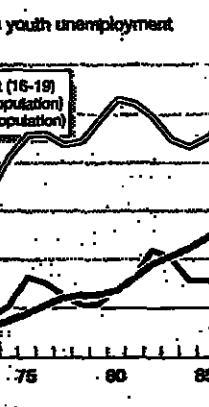
Other things are not equal, of course. Most people recognise that a complex web of personal and cultural factors will determine whether a given individual is one of the small minority who would consider turning to crime. But these do not lend themselves to clear policy prescriptions. More prison sentences, or more jobs, tends to emerge as the basic choice.

A report published last week by Leicester University's Centre for the Study of Public Order comes out firmly in favour of a focus on employment. The author, Professor John Bunyan, admits that the relationship between unemployment and crime is complex. For men aged between 18

### Economics Notebook

## Criminal flexibility

### US crime: no easy answers



and 34, some 11 per cent of the workforce was in prison or on parole in 1993. For black men in the same age group, the proportion is over 20 per cent. As the author points out, one would expect this to have had some effect on the crime rate, if only by removing from society large numbers of proven criminals. And yet, as the chart shows, the trend-line in recorded crimes, at best, stabilised over the period.

"The bottom line is that the propensity of the non-institutional population to commit crimes must have risen sharply in the 1980s."

Labour market trends can explain much of the increase. In essence, the returns to legal employment fell, relative to the returns to crime, for many young US males, just as the long term costs of getting caught - and landing in jail - grew considerably higher.

Part of the decline in labour market opportunities for young men shows up in high unemployment. Like their counterparts in the UK, young people in the US suffer more

unemployment than the rest of the population. Roughly 15 per cent of teenagers are out of work, compared with about 6 per cent of adults.

Does this mean that rising crime can be traced to a shortage of jobs? Reviewing the evidence, Prof Freeman concludes that there is a positive relation between joblessness and crime. But, unlike the UK, there has not been a long term rise in US unemployment large enough to explain the exponential rise in crime.

By and large, the job market problem which has helped raise crime in the US is not so much a lack of jobs, but a lack of good jobs. Young people in the US may be frequently jobless, but only a small part of youth unemployment is long term.

Young people are eligible for very little state unemployment support, and tend to move in and out of different jobs over the course of a year. This kind of employment flexibility has long been a feature of the US job market. What has changed dramatically is the wages young workers are offered. Recent US Census data shows that one half of 18 to 24 year-olds working full-time earned less than the official poverty line in 1992.

About half of young offenders tend to have been employed at the time they were arrested. Crime can provide a supplement to low income for the employed and unemployed alike.

In the long run, of course, crime rarely pays, especially now that the chances of being sent to prison are so much higher. Prof Freeman finds that a spell in prison has a large effect on offenders' future employment prospects.

But as long as working pays so little, crime has considerable short-term attractions for young unskilled men, even if they have a job. In short, being tough on crime, and tough on unemployment, has not been enough.

Stephanie Flanders  
"Crime and the Job Market" (unpublished).

## GROUPE PARIBAS

### First half 1994 results up 13.2%

### Net income excluding minority interests of FF 1.27 billion (USD 222.6 million)

As of June 30, 1994, Compagnie Financière de Paribas consolidated net income excluding minority interests amounted to FF 1.27 billion, a 13.2% increase over the first half of 1993.

#### BIS requirements

	06/30/94	06/30/93	Change
Tier 1	10.2%	9.9%	0.3%
1993	10.2%	9.9%	0.3%
1992	10.2%	9.9%	0.3%

#### The first half of 1994 was marked by:

- an increase in the contribution of Paribas Affaires Industrielles,
- a marked reduction in loan loss provisions at Compagnie Bancaire and Banque Paribas,
- the completion of the provisioning of non-core activities, now discontinued, at Crédit du Nord, which also sold its main Paris real estate assets,
- a downturn in the asset and liability management activities and capital market activities of Banque Paribas,
- a strengthened "Cooke" ratio, of 10.2% (including tier one, 8.9%)

#### Results

(in millions)	06/30/94	06/30/93	Change	12/31/93
	FF	USD	FF	FF
Total revenue from operations including:	17,496	3,067	17,249	32,684
- net banking revenue	14,458	2,534	16,504	30,943
- other net revenue from operations	3,038	532	745	1,741
- General and administrative expenses and amortization	(10,001)	1,753	(9,449)	(19,602)
- Net income from operations	7,495	1,314	7,800	13,082
- Provisions for loan losses	(4,324)	758	(4,754)	(8,778)
- Total net income (including minority interests)	2,064	362	1,934	2,780
- Net income (excluding minority interests)	1,270	223	1,122	1,449

\* USD 1 = FF 5.7043

- Paribas Affaires Industrielles benefited from the increase in the results of companies accounted for by the equity method,
- the amount of the Group's capital gains increased markedly thanks to the sale of assets on the stock market early in the year by Paribas Affaires Industrielles and an exceptional capital gain of FF 980 million earned by Crédit du Nord on the sale of its three buildings in Paris, two of which were the object of a leasing agreement,
- losses of FF 707 million recorded by the real estate development companies, Cogedim and Sintrim,
- a 5.8% increase in general and administrative expenses, linked to costs to develop the core businesses of Banque Paribas and Compagnie Bancaire.

#### The allocation to loan loss provisions declined 5%

Allocations by Banque Paribas and Compagnie Bancaire decreased by 34.5% and 25%, respectively. On the other hand, the allocation to loan loss provisions at Crédit du Nord increased by 57% and includes the completion of provisions for discontinued activities (UBN, commercial real estate and development, international activities).

Total net income for the first half of 1994 amounts to FF 2.064 billion, a 6.7% increase over the same period in 1993.

Estimated net asset value per share (after results) amounts to FF 525, as of June 30, 1994, versus FF 568 (adjusted) at December 31, 1993.

### FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																							
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## EQUITY MARKETS: This Week

## NEW YORK

Frank McGurty

## State of grace may prove fleeting

Wall Street may have had a lucky break with last week's employment figures. But concerns over interest rates are still lurking just below the surface as the quarterly results season gets under way this week.

"It's going to be a classic tug of war between rising interest rates and superlative earnings," says Mr Steven Einhorn, head of equity research at Goldman Sachs in New York.

The stage was set on Friday, when the jobs data proved to be inconclusive. Still, after so much hand-wringing ahead of the report, there was enough mollifying news to allow equity investors to squint at the awkward bits.

In the end, it was the realisation that the Federal Reserve would not put up interest rates immediately that carried the day and averted the hammering which many had feared.

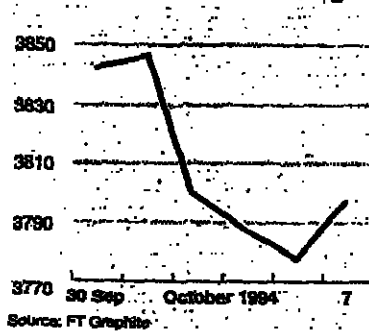
The headline figure - a weaker than expected gain of 229,000 in non-farm payrolls - caused the Fed to hold its fire, at least until after considering this week's flood of economic reports.

As a result, bonds improved and stocks appreciated after a week of steady declines.

Friday's state of grace, if it can be characterised as such, may prove fleeting. The yield on the benchmark 30-year Treasury bond is just a shade below the 8.00 per cent level, a red flag for investors.

"The likelihood of the long bond yield moving above 8.00 per cent and of staying there increases the more the Fed delays," says J. P. Morgan analysts in their October market briefing.

## Dow Jones Industrial Average



With a sixth interest rate increase looming, "Wouldn't it be nice if the market could focus on earnings?" asks Mr Hugh Johnson, chief investment officer at First Albany. He is not alone in the opinion that many companies will show solid improvement for the quarter.

Mr Johnson goes a little further than some in predicting plenty of pleasant surprises, based on stronger than expected exports by US companies to recovering European markets. "That will be good for stocks provided we don't get blindsided by bad inflation or interest rate news," he says.

He sees the September data on producer and consumer prices, due out at the end of the week, as the key. He expects both inflation readings to be tame, allowing the bond market to stabilise, or even improve. "If that proves to be the case, then the stock market could focus on what really counts and we could move higher," says Mr Johnson.

Mr Einhorn is less certain, however. "My sense is that the market will remain stuck for the next month or two," the Goldman Sachs analyst says. "It will have some upward bias but it will be constrained in that bias by the level and likely direction of short-term interest rates."

## LONDON

Terry Byland

## Poor start to final quarter deepens gloom

The spread of forecasts by City analysts for the FT-SE 100 Share Index on December 31 has widened to astonishing proportions as a poor start to the final quarter has deepened the market's gloom. Fund managers are at present invited to place their faith in a range of Footsie forecasts between 2,840 - well, 2,200 if we really want to get bearish - and 3,600.

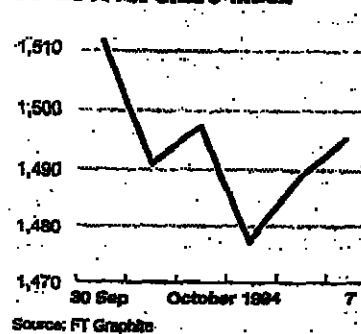
Such a wide spread suggests that the stock market is becoming a victim of its own nervousness. Shares are still reacting very sharply to the slightest hint of discomfort at the Federal Reserve and the futures markets continue to throw the underlying equities around as if individual companies were no longer of any significance.

Nor is there much sign that this week will fare any better. Markets have to face a barrage of important economic data both at home and in the US, with the regular meeting of the Bundesbank policy council thrown in for good measure. And the analysts can brace themselves for the UK Budget scheduled for late November.

However, there is still a strong bullish tendency in the UK market, willing and able to defend Footsie year-end targets in the 3,400 area. Technical factors in the market are by no means entirely negative. UK bonds, the recognised key to an equity recovery, have remained relatively steady, and there was a passive response to Friday's much-dreaded US payroll numbers.

Derivative Securities, which tracks trends from the viewpoint of the

## FT-SE-A All-Share Index



futures markets, has repeated its belief that the UK stock market remains "very oversold," and that support levels are very close, indicating that further downside appears fairly limited.

Trading volumes, while not exciting, have not been as poor as painted in some quarters. Retail business remains steadily above £1bn a day, and the fall-off in private investor business is no threat to big securities firms. The problems for market-makers have come from the risks of taking on trading programmes in these troubled times.

These risks have fed through to the stock index futures market, where the unwillingness of the big institutions to play has left power and influence in the hands of the independent traders, the locals, who now stand accused, not for the first time, of being able and willing to move share prices at will.

Experience would suggest that the market cannot be manipulated over anything but a very short time-span. If the bond market turns, then all the arguments about corporate earnings growth of nearly 50 per cent between 1994 and 1996, enabling companies to raise dividends by around 10 per cent in each of the next two years, will be back in force.

But first we have to survive this week's economic data.

## International offerings

## Greece gears up for telecoms flotation

The long-awaited flotation of OTE, the Greek state telecoms monopoly, is finally taking shape, with the government hoping to raise more than Dr350bn (\$1.3bn) from selling 25 per cent of the company to domestic and overseas investors at the end of November.

As some 18 per cent of the company's equity will be placed with institutions abroad, OTE's management is gearing up for road-shows around Europe, the US and Japan. CS First Boston and Schroders, global co-ordinators for the issue, are managing an underwriting syndicate of 10 investment banks that includes Lehman Brothers, S.G. Warburg and Yamaichi of Japan.

To boost investors' confidence in the offering, Mr Yanos Papanastasiou, the economy minister and architect of Greece's revised privatisation programme, will be on hand for OTE's presentations in London and New York.

Doubts remain to be dispelled after last year's attempt to dispose of 40 per cent of OTE, plus management rights, fell through as a result of political wrangling and fierce opposition from the company's trade union.

This time, the government is treading more carefully, plotting that OTE will remain

under state management, but as one official put it: "It's going to operate like any private Greek corporation."

New legislation due to be approved by parliament in the next two weeks provides for substantive price rises for local calls so that OTE's domestic network can break even by 1997. The company's pension obligations, another drain on earnings, are to be capped at Dr1bn a year and it will stop subsidising ELTA, the loss-making Greek postal service, at the end of 1994.

Last year, OTE reported pre-tax profits of Dr125bn on turnover of Dr350bn. Earnings forecasts for 1994 are buoyant, thanks to the expansion of card phones, which are bringing in over Dr1bn a month in new revenue.

However, analysts agree the question of management will affect the price of the offering, to be determined by a three-week book-building exercise among overseas investors. Mr Victor Pisanis of Telestra Capital says: "The commitment to state management is likely to have a negative effect on pricing. To protect its future, OTE needs to make a strategic alliance, like other European telecoms operators are doing."

OTE officials are reluctant to give details of their business plan before the new law goes

through. But they are already hiring foreign executives to handle marketing and new product development.

OTE also plans to enter Greece's fast-growing mobile telephony market, preferably by acquiring a stake in one of the country's two GSM (Global System for Mobile Communications) operators, Telestet, controlled by Stet of Italy, and Panafon, in which Vodafone of the UK has a sizeable holding.

The issue's domestic tranche will require careful handling, given the limits on liquidity at the Athens bourse. After some Division of the offering is stripped out for sale at a discount to OTE employees and pensioners, shares worth about Dr75bn will be offered to domestic investors.

However, this would still be triple the amount raised in Greece's largest public offering to date. To ensure as wide a share distribution as possible, National Bank of Greece, which is managing the domestic tranche, is expected to include almost all the country's 20 banks in its underwriting syndicate.

The government will also be trying to ensure the success of the flotation by launching an advertising campaign aimed at attracting small investors.

Kerin Hope

## OTHER MARKETS

## FRANKFURT

Thursday's Bundesbank meeting and next Sunday's federal election dominated a volatile market. Few expect the Bundesbank to change rates. James Capel says the weakness of the August industrial production and orders data largely reflected seasonal problems. It believes that the German recovery remains robust.

UBS notes that the polls suggest the present CDU/CSU-FDP government of Chancellor Kohl holds a slender lead. In the event of his re-election, it expects "a significant relief factor to be manifested in the markets".

## ZURICH

Third-quarter sales figures are due from Ciba on Wednesday ahead of Roche's figures next Monday.

Analysts are forecasting a satisfactory set of figures from Ciba, with a 4 per cent rise in sales in local currency terms translating into a 1 per cent fall in Swiss franc, with the continuing strength of the domestic currency still taking a toll.

This is, however, unlikely to deflect investors from their main preoccupation and further sounds of the growing battle for influence between UBS and Mr Martin Ebner's BK Vision will be eagerly awaited, ahead of the EGM

called for November 22 to discuss the bank's proposed share restructuring.

Merrill Lynch expects UBS management, in all probability, to carry the vote, but says BK Vision is likely to challenge the move in the courts as well as at the meeting.

It describes the situation as confused and says both the registered and bearer classes of stock have been driven substantially above fundamental value.

"Although resolution may be some way off, we think that any solution to the dispute will lead to a sharp fall in the price of both stock classes. There is more money to be lost than made here and we remain sellers," it says.

## NORWAY

A busy week is in store with eight-month results. Bergesen, Norway's largest shipowner, which reported a steep fall in pre-tax profits for the first four months, reports on Wednesday. Thursday brings figures from Norsk Skog, the forestry group, and Friday sees details from Kvaerner, Europe's biggest shipbuilder and Norway's second largest stock market listed company, which increased pre-tax profits by 36 per cent in the first four months of 1994 against the same period a year earlier.

Mr Thomas Wold at Enskilda Corporate points out that the Norwegian market's sluggish performance this year has left

it down about 3.5 per cent, although it has outperformed Europe, excluding the UK, by close to 7.7 per cent.

He expects the market to continue weak for another couple of months but thinks it has the potential to resume a positive trend towards the end of the year and into 1995.

The substantial uncertainty about the outcome of the EU referendum on November 28 is holding back investment in the stock market and has added a political risk premium to interest rates, he says.

However, resolution of the issue, with Sweden and Finland also voting in favour, would have a positive effect on interest rates and the stock market.

## TOKYO

With fears of over-supply easing in the wake of strong demand for the Matsushita Electric Industrial convertible bond and the Japan Tobacco issue, investors are expected to start small-lot buying again, writes *Ennio Terzani*.

Market participants are expected to focus on JT subscriptions, with shares not taken up by successful investors in the lottery being allocated in a second round on Friday.

Corporate earnings revision announcements are expected to continue throughout the week, and companies with strong upward revisions may see buying.

However, profit-taking is expected to appear above the 20,000 level, and traders expect the Nikkei index to fluctuate between 19,500 and 21,000.

## HONG KONG

External factors will continue to direct trading this week, although brokers reckon that after a 1,000-point correction in the Hang Seng index from the recent highs, the downside is now limited, writes *Louise Lucas*.

Investors will start the week by digesting Friday's US unemployment figures with any signs of a rise in US interest rates proving negative, since such increases feed through to the colony.

A second focus will be the health of China's paramount leader, Deng Xiaoping, whose rumoured death spooked both the domestic China markets and Hong Kong for much of last week.

On Friday, Shanghai's A index, of shares available only to local investors, fell by almost 18 per cent at one stage, prompting the foreign ministry to issue a statement assuring investors that Deng was in fine health. This prompted a late rebound which left the index to close 12.4 per cent higher on the day. However, the statement will do little to allay fears if Deng remains hidden from public view.

Compiled by Michael Morgan

## EMERGING MARKETS: This Week

The Emerging Investor / Roula Khalaf and Richard Lapper

## Fund managers turn to fledgling Arab bourses

Iraq's manoeuvrings, raising fears of another invasion of Kuwait, coincide awkwardly with the latest initiative from fund managers with a taste for developing countries, who are attempting to sell the Middle East as the last frontier for emerging markets investment.

Having watched returns in Asia and Latin America slip earlier this year, the professionals have turned to a clutch of fledgling Arab bourses.

Three funds have been launched since June, and another three are waiting to take off in the next two months - the Framlington Egypt Fund, the Foreign & Colonial Emerging Middle East Fund and the Fleming Arab Countries Fund. In all, fund managers may have raised as much as \$270m this year to invest in the region.

Long constrained by political turmoil and strict government economic controls, the Middle East and North Africa got short shrift during last winter's emerging markets investment boom. Of \$50bn in cross-border equity flows invested in emerging markets worldwide in 1993, a mere 0.4 per cent went into the Arab markets, according to Baring Securities.

No-one is bracing for a Middle East "miracle" and the political risk, as evidenced by Iraq's threatening moves this week, remains high. But with the peace process in full swing, the

Arab boycott crumbling, the World Bank forecasting real regional GDP growth of 3.8 per cent a year in the coming decade, and most countries successful graduates of the IMF's liberalisation policies, fund managers are eager to cash in.

The International Finance Corporation's emerging markets index was down by 8.5 per cent in the first half of this year, while all Arab markets - with the exception of the more mature bourse in Amman - shot up. "The overall idea is that these countries can't go right and left, either you eat in the hands of the IMF or you don't eat at all," said Mr Mohamed Mourabet, fund manager at Fleming Investment Management.

The rush to the Middle East began earlier this year when the Omani government, seeking to boost the Muscat Stock Exchange but rein in volatility only 70 stocks are listed for a total capitalisation of \$2bn - approached Blakeney about setting up a country fund with the exclusive licence to invest on the bourse.

The \$32m closed-end Oryx Fund, launched in June and jointly managed by Blakeney and the Omani National Insurance company, has already invested 70 per cent of its funds and expects to be fully invested before the end of the year. Listed in London, the fund recently traded at about

uneasiness in Israel over the latest developments in Iraq and Kuwait left the Tel Aviv equity market's blue chip Mishkinitim index down 3.68, or 2 per cent yesterday at 182.58. Turnover stayed low at Shk137m, Shk10m higher than last Thursday's figure.

In Kuwait itself, brokers sold shares on Saturday on news of Iraqi troop movements north of the border, but volume remained slim and

at the end of October to invest in Egyptian securities. Other fund managers are taking a more regional approach. Foreign & Colonial, the UK fund management group, is marketing a \$60m closed-end fund for emerging Middle East markets. At least 65 per cent of the fund is to be invested in equities of five core markets - Morocco, Tunisia, Egypt, Jordan and Oman - with the remainder placed in neighbouring countries, mainly Turkey and Israel, and fixed income instruments.

Also in June, the US's Salomon Brothers Asset Management and Morocco's Omnium Nord Africain launched the first Morocco country fund, worth \$32m. The fund will start trading next year, when it is fully invested, on an exchange yet to be determined.

Next came the Maghreb Fund in September. Framlington Investment Management, a unit of CCF of France, raised \$30.5m from institutional investors and the International Finance Corporation, the World Bank's private sector arm, to invest in Tunisia and Morocco. The closed-end fund trades in Dublin.

Boosted by the success of the Maghreb Fund, Framlington announced last week its intention to raise another \$30m

the index fell by just 11 points, or 1.1 per cent to 956. Here, turnover was 2.7m dinars against 1.3m dinars last Wednesday. The reaction was similar in Jordan where the Amman general price index fell 1.47, or 1 per cent to 144.36.

In Morocco, meanwhile, geographically far removed from the Iraq/Kuwait border, brokers on Saturday were complaining mainly about a lack of liquidity in the market.

Fund managers, of course, are all too happy to get in before the markets expand and be ready to enter when more markets open up. They are pinning their hopes on big privatisation programmes planned in most of these markets. Predictably, some programmes are moving faster than others, with the Egyptian one bogged down in bureaucracy. According to LCF Edmund de Rothschild Securities in London, lead manager of the Framlington Egypt Fund, the IMF has delayed the last of a series of Egyptian debt write-offs to pressure the government into action on the privatisation front. A more promising programme is taking place in Morocco, where the government last year selected 112 companies to sell off for a total of \$2.2bn, and was able to raise \$250m in 1993.

Bahrain, which has 64 listed stocks, allows foreigners to invest in only four companies. Saudi Arabia boasts the largest stock market in the region with a healthy \$42bn capitalisation, but it is not expected to open to foreign capital before 1997.

These markets are also, for the most part, extremely illiqui-

ing countries to redirect resources into defence at the expense of economic development. Second, only five markets in the region - Egypt, Jordan, Morocco, Oman and Tunisia - allow foreign investment, and this in varying degrees. Tunisia, for example, requires authorisation for every investment; thus, every purchase or sale may take up to a week.

Oman, which has granted Oryx the exclusive right to channel foreign capital into the Muscat Stock Exchange, has informed other fund managers that they will be allowed to buy selected stocks, while Lebanon is set to open the Beirut bourse this year and promises open access to foreigners.

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Philip Gawith

## CURRENCIES

## Dollar stays focus of market attention

Following last Friday's inconclusive US employment report, the market will this week focus on US inflation, retail sales and industrial production data to get a sense of when the Fed will next raise interest rates.

With US three month money trading at about 5.62 per cent, compared to a Fed funds rate presently at 4.75 per cent, the market clearly believes it is a question of when, rather than if, rates next rise.

Most observers believe that early Fed action is required to stabilise the US bond market.

Without this, there seems little chance of a recovery in the dollar, given the close link between bonds and the dollar in recent months.

The outlook against the yen, however, is more encouraging. The dollar finished on Friday above ¥100 for the first time in five weeks. It was the beneficiary of the recent US-Japan trade agreement, and renewed tensions surrounding Iraq, which could hurt the yen.

Technical analysis suggests the dollar may have broken upwards against the yen, and recent price behaviour con-

firms that the market may be trying to take the dollar higher.

Traders will also be forced this week to don their political hats. Both German national elections and the Finnish referendum on joining the EU take place on Sunday.

If Chancellor Kohl is re-elected with a workable coalition, this should support the D-Mark. Anything less, and the D-Mark will be vulnerable, with the Swiss franc, and possibly sterling, likely to benefit. The Bundesbank council meeting on Thursday is not

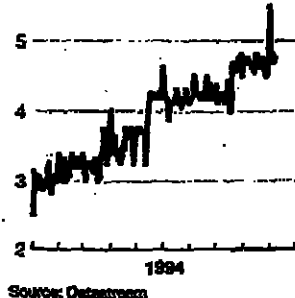
expected to produce a move in rates, though the IG Metall pay claim could hasten the next tightening if it threatens the inflation outlook.

A referendum victory in Finland would probably buoy all Nordic currencies, though they remain vulnerable to setbacks until the Swedish and Norwegian EU votes, next month, are also out of the way.

Elsewhere, sentiment toward the Italian lira is likely to remain nervous while the standoff between the government and the Milan magistrates persists.

## US federal funds rate

Per cent



Source: Datastream

## News round-up

Investors in emerging markets have been warned that while prices could advance by a comparatively modest 20 per cent over the next six to 12 months, a substantial setback was likely to follow.

Mr David Shaw, strategy director at Legal & General Investment Management, said that the trigger was likely to be an increase in US short-term interest rates to the critical 6 per cent level, which would prompt selling by private US investors and mutual funds.

"While there continues to be a compelling, secular case for emerging markets, the purely cyclical justification is near the end of its shelf life," said Mr Shaw, who advised taking profits when the IFC Composite Investable Index breached the 400 level.

## Pakistan

Hub Power Company, which is building a 1,292MW plant near Karachi, is to issue shares worth Rs4.17bn (\$86 million)

## Poland

Creditanstalt Bankverein of Austria plans to create a Polish investment fund with a domestic partner. A local representative said that the open-ended fund would mainly invest in papers available on the Polish market, including government bonds and companies listed on the Warsaw stock exchange but that, if permitted, management would also like to make some foreign investments.

## Thailand

Thai Petrochemical plans to raise money through an IPO of 187m shares, at a price to be disclosed later, partly to finance its \$400m fully integrated petrochemical complex.

## Baring Securities emerging markets indices

Index	7/10/94	Week on week movement	Month on month movement	Year to date movement
		Actual	Actual	Actual
World (501)	183.77	-4.87	-2.58	-0.45
Latin America				
Argentina (2)	107.89	-4.15	-3.70	-7.72
Brazil (21)	240.17	-15.48	-8.06	-13.32
Chile (12)	211.20	+5.12	+2.48	+15.88
Mexico (25)	148.88	-4.82	-3.20	-4.20
Peru (19)	882.91	-25.12	-2.77	+138.14
Latin America (94)	174.57	-6.87	-3.68	+2.26
Europe				
Greece (18)	87.61	+3.37	+4.01	+2.53
Portugal (18)	117.52	+0.17	+0.14	-5.59
Turkey (21)	88.27	+1.27	+1.46	+9.54
Europe (55)	101.10	+1.47	+1.48	+0.22
Asia				
Indonesia (26)	158.95	+6.18	+4.10	-5.32
Korea (23)	160.90	-3.85	-2.22	+12.09
Malaysia (23)	235.44	-1.88	-0.71	-12.70
Pakistan (11)	117.52	+1.62	-1.36	+5.47
Philippines (12)	287.23	+11.49	+4.17	+5.87
Thailand (25)	260.51	-3.10	-1.17	-14.50
Taiwan (32)	172.98	-13.62	-7.30	-2.92
Asia (152)	224.04	-3.28	-1.44	-6.08
Year to date movement				
World (501)				+15.36
Latin America				
Argentina (2)				-7.49
Brazil (21)				+100.52
Chile (12)				+63.66
Mexico (25)				-12.43
Peru (19)				+306.82
Latin America (94)				+253.32
Europe				
Greece (18)				+4.51
Portugal (18)				+5.70
Turkey (21)				-73.44
Europe (55)				-11.14
Asia				
Indonesia (26)				-14.09
Korea (23)				+51.19
Malaysia (23)				-17.81
Pakistan (11)				+5.83
Philippines (12)				-35.13
Thailand (25)				-3.05
Taiwan (32)				+19.27
Asia (152)				+2.62

All indices in % since January 7th 1993=100. Source: Baring Securities

Emerging routes:

AIR CANADA

A MEMBER OF PETER AIR



## WORLD BOND MARKETS: This Week

## NEW YORK

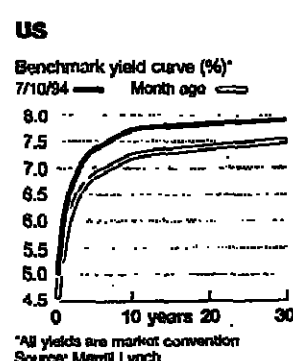
Patrick Harverson

In spite of last Friday's surprisingly resilient performance by the bond market, investors are likely to be in an apprehensive mood when trading resumes tomorrow after the Columbus Day holiday.

The rally in prices - which helped the long bond yield drop back below 8 per cent after a brief period above that psychologically-important mark - was prompted by an analysis of the September employment data that judged the figures to be generally neutral for the Treasury market, and unlikely to push the Federal Reserve into raising interest rates again.

The analysis came as a relief to investors, who had feared before the jobs figures were released that they might be so strong as to trigger a monetary policy tightening.

That relief, however, may prove short-lived. Later this week the September producer and consumer price data are published, and any sign of



resurgent inflation may persuade the Fed that another increase in interest rates is required to slow the economy and restrain inflation.

With this fear in mind, trading is likely to be subdued over the next two days as investors choose not to commit funds to the market ahead of such sensitive data. If there is any movement, it could be on the upside, as most analysts do not expect September inflation figures to be threatening.

## LONDON

Philip Coggan

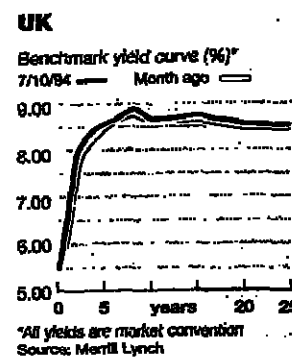
A busy week for the gilt market kicks off with the publication today of the minutes of the September 7 meeting between Mr Kenneth Clarke, the chancellor, and Mr Eddie George, the governor of the Bank of England.

The debate about last month's base rate rise will be closely scrutinised, with traders obviously interested in clues about future interest rate policy.

In addition, there is a full menu of statistics in both the UK and the US, with markets most likely to concentrate on the inflation data on both sides of the Atlantic.

Many expect recent signs of strong US economic activity to lead to an increase in interest rates by the Federal Reserve this week.

August's inflation data in the UK were rather disappointing: analysts are hoping that the underlying annual rate will have dropped back to 2.2 per cent in September, from August's 2.3



per cent. The headline rate is expected to have stabilised at 2.4 per cent.

On Friday, the Bank of England will announce the stock for the next gilt auction. Ms Katy Peters, senior economist at Daiwa Europe, is expecting the Bank to pick an ultra-long stock. "It's a cheap part of the yield curve, they haven't issued such stock for a while and there's lots of institutional demand," she says.

## FRANKFURT

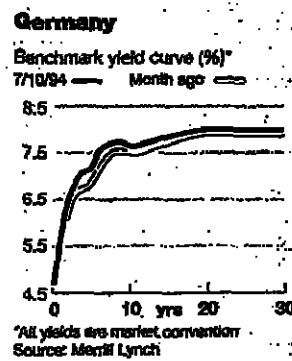
Christopher Parkes

Pre-election angst appears to be a condition limited to foreign observers of the German scene, who parted with their D-Mark investments in increasing numbers last week as opinion polls suggested a close-run election next weekend.

German analysts and investors are altogether more phlegmatic. Many weight the scale heavily in favour of a return to power for Chancellor Helmut Kohl and his conservative-liberal coalition.

One favoured theory among the not-so-sure is that even if the Social Democrats come to share power in a grand coalition with the Christian Social Union, there is no real risk to economic, monetary or fiscal stability. They argue that, by virtue of its majority in the powerful upper house of parliament, the SPD is already effectively a partner in government and law-making.

But the most rousing noises emerged from Deutsche Bank's



institutional investors' team in Düsseldorf on Friday, where they appeared to be putting out the flags a week early, rating the current coalition with a 70 per cent chance of returning to power, and promising "fireworks" if it does.

These would include a gain of up to 300 points in Frankfurt's over-sold DAX index of 30 leading shares, and a "powerful rally" in the bond market.

## TOKYO

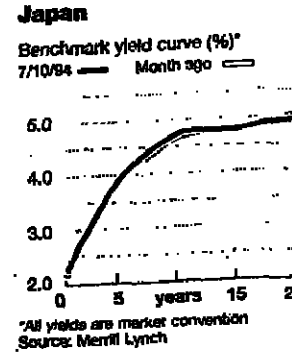
Emiko Terazono

Bond yields on the Tokyo market rose to a one-month high of 4.77 per cent last week on expectations of higher short-term money market rates.

The Bank of Japan's neutral stance on the money markets at a time when the current reserve maintenance period ends this week and US interest rates are expected to rise, discouraged traders, prompting profit-taking.

Market participants will continue to focus on the Bank of Japan's money market manoeuvres this week. The central bank may try to limit a rise in the overnight call rate if the stock market remains sluggish ahead of the October 27 Japan Tobacco flotation.

Financial officials have become increasingly concerned over the listing, and are expected to support stock market volumes. However, economic data due this week, including machinery orders for August, and the government's official assessment of the economy,



due at the end of the week, are likely to confirm the ongoing recovery, and may create turmoil on the bond market.

Bankers are also worried about a rise in short-term interest rates since the short-term prime rate, the lending rate to first-tier clients, is tied to three-month certificate of deposit rates, which firmed last week. Banks are reluctant to raise lending rates when demand for funds among companies is still weak.

## Capital and Credit / Conner Middelmann

## Bears continue to hold sway

After nine months of bloodletting, the last quarter of this year could be a bit kinder to international bond fund managers. However, amid continued worldwide economic growth and expectations of further monetary tightening in Europe next year, many say any recovery is likely to be little more than a temporary reprieve in a continuing bear market environment.

"I think there's good scope for a fourth-quarter rally, but I don't think the bear market is over yet," says Mr Edward Dove, director of fixed income at Julius Baer Investments. "The current level of economic growth is not a flash in the pan - it's here to stay, and that could be consistent with the price of capital being pushed higher," he says.

"On a technical basis, markets do seem oversold - but even if there is a rebound, helped by subdued economic data, I doubt it's enough to generate a sizeable rally, given what looms in 1995," agrees Mr Paul Abberley, head of fixed income at Lombard Odier,

adding: "We are still positioned defensively and see upward pressure on yields as economies continue to strengthen."

Some are more upbeat. "We are expecting some sort of recovery, though it's hard to pinpoint the timing," says Mr Mark Gull, bond fund manager at Gartmore. "We feel bond yields are rather high and when confidence - that rather elusive quality - returns to the market, it will recover."

The market's troubles began on February 4, when the US Fed raised interest rates for the first time in the current cycle, highlighting fears of inflation fuelled by economic growth. Further pressure came from the failure of US-Japanese trade talks, which undermined the dollar. Both of these factors triggered heavy selling by highly leveraged bond market players, causing prices to spiral lower.

In this environment, many investors took refuge on the sidelines, keeping their exposure to a minimum. But while investor demand for bonds was shrinking, supply was swelling

though the heavy issuance of debt by governments around the world. All this pushed bond yields to dizzy heights, where, it was hoped, they would eventually entice investors back into the market.

Indeed, that now seems to be happening, with dealers reporting cautious nibbling by investors who have been building up large cash positions in recent months.

"People have been far too bearish, and we think there is an increasing risk in being out of these markets," says Mr Dove. "Bonds offer very, very good value at these levels."

That's especially because - at least in Europe - fears of growth-fuelled inflation now appear to have been overtaken, with some recent data in Germany and the UK pointing to steady growth accompanied by subdued inflation pressures.

"The inflationary implications of the economic recovery have been grossly exaggerated by the market," says Mr Robert Kyprianou, chief investment officer at Kidder Peabody Asset Management.

While growth will remain intact and short-term rates are likely to rise, tightening will not be as drastic as bond market players have been assuming, he argues. "The current risk premiums are too high; as time passes and confidence returns, prices will recover slowly but surely," he predicts.

Some feel it will take specific developments, like clear signs of US economic slowdown or a resumption of buying by Japanese investors, to jump-start bonds. Others say it is simply a matter of time, with cash and confidence returning to the market as the inflation spectre becomes less daunting.

When it comes to picking their favourite market, fund managers are nearly unanimous in their enthusiasm for UK gilts.

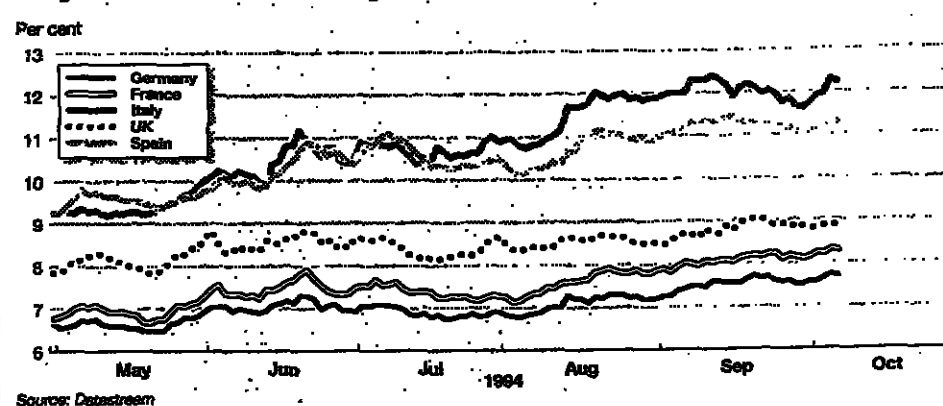
Gilts - this year's worst performing bond market - last week rallied sharply, partly on switching out of German bonds ahead of the October 16 elections, but mainly due to a reassessment of the fundamental picture. This caused the yield on the benchmark 10-year

gilt to drop some 15 basis points to 8.71 per cent on Friday, with the yield gap over Germany shrinking to 118 basis points from 148 the previous week.

"We are overweight gilts in our global bond funds and happy to stay that way," says Mr Gull at Gartmore. "We don't see many inflationary pressures; the UK is politically stable; the pre-emptive base rate hike underlines the UK's commitment to controlling inflation; the PSBR is on a clearly defined downward path and the improving trade balance is supportive of sterling," he lists.

Depending on the outcome of the German elections, Germany's is another bond market that may offer good value. If Chancellor Helmut Kohl returns to power and his government's planned fiscal tightening measures are introduced early next year, bond yields could benefit substantially; indeed, some are calling for yields of 6.75 per cent by mid-1995, from current levels around 7.72 per cent.

## 10 year benchmark bond yields



## INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	4.00	1.75	4.50	6.40	7.50	5.75
Overnight	4.75	2.22	4.81	5.18	7.93	4.75
Three month	5.09	2.34	5.10	5.58	8.78	5.33
One year	6.07	2.75	5.88	6.31	10.31	7.31
Five year	7.43	4.11	7.21	8.27	12.45	8.61
Ten year	7.72	4.77	7.73	8.27	12.31	8.75

## US TREASURY BOND FUTURES (CBT) \$100,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	97-21	98-07	+0-16	98-11	97-00	193,290	396,320
Mar	95-19	97-17	+0-16	97-20	96-15	1,539	25,886
Jun	96-00	98-25	+0-16	98-31	98-00	208	10,901

## International / Graham Bowley

## Syndicated loans return to favour

Heavy with capital and hungry for new assets, many banks have become very eager to start lending again - and have turned aggressively to the market for syndicated loans.

This sector of the international capital market allows banks to participate to varying degrees in a loan to a borrower.

The loan is usually arranged by one or two lead banks but an unlimited number of banks can contribute to the loan, enabling them to generate income while at the same time sharing the risk with other lenders.

Banks have repaired the damage done to their balance sheets by the bad debts of the late 1980s and many of the loans granted at the end of the last decade are now close to maturity.

"There is a vast amount of liquidity in the syndicated loans market at the moment, mainly because banks have a shortage of assets," said Mr Martyn Powell, vice-president and head of syndication, origination at UBS in London.

As a result, there has been fierce competition among banks for new loan business, often from reluctant borrowers who still have painful memories of the difficulties which arose from excessive borrowing during the last recession.

This has driven the cost of the loan to borrowers down to extremely low levels. Over the past year, the spread over

Libor on a syndicated loan to a typical European corporate borrower, with a Single A credit rating, has dropped from about 45 basis points to around 20 to 25 basis points. The interest rate on a syndicated loan is usually set at a "spread" or margin over Libor, the benchmark interest rate for the market.

Many borrowers, however, faced with such a low cost of borrowing and deterred from entering the bond markets by the current painfully high yields, have begun to turn back to the syndicated loans market as an alternative source of funds.

"Pricing is down to levels where the loans market is very competitive with the bond market," said Mr Powell. "Borrowers are now closely examining both options, and in many instances the loan market is turning out to be the most attractive to them."

He added: "As prices [continue to] fall, the [volume of] deals will pick up. Corporate treasurers are looking at the bank market and realising there is an opportunity there."

Most regions of the world have been witness to this growth in syndicated loans this year, although recently Scandinavia in particular has seen a marked pick-up in activity, sparked by a dramatic fall in pricing spreads.

A significant number of Scandinavian borrowers with existing transactions have

been watching the market closely and have decided now is the time to refinance or replace their existing deals," said one syndicate manager.

Mr Powell said: "A Scandinavian borrower would have had to pay 25 to 30 basis points [over Libor] for a five-year loan at the end of the 1980s; two years ago he would have paid 80 to 70 basis points. But now we have come back almost full circle to a price of 25 to 30 basis points [over Libor]."

Both Televerket of Norway and Vattenfall of Sweden have been able to come to the syndicated loan market this year and secure loans priced at around 19 basis points over Libor, whereas last year they were forced to pay around 40 basis points over Libor.

"Scandinavia suffered a deep recession which caused a lot of problems for companies and as a result it was out of bounds for many banks for a long time," said one syndicate manager. "Now it is back in favour and many companies are taking advantage of the opportunity."

Rumours swept the market last week that Securum, the Swedish state-owned company, is considering a SKr20bn syndicated loan to refinance outstanding debt. "Something of that volume could have a dramatic impact on pricing," said one syndicate official.

The syndicated loans seen in Scandinavia have tended to be large, "jumbo" financings of

around at least \$500m. In Norway, for example, Phillips Petroleum Company is currently involved in a \$500m syndicated loan, which is also interesting because of its relatively long maturity of seven years. As well as price, many banks have been prepared to sacrifice maturity and other terms and conditions on loans in their attempts to win business.

It is also no longer the case that only borrowers with high credit ratings have access to syndicated loans with low spreads and favourable terms. Increasingly, competition between banks is blurring the difference between the higher and lower quality borrowers.

"Why are banks doing this? Because the loans are relationship-driven," said one banker in London. "The asset itself is not the only reason for doing the transaction - banks will lend where they see opportunities for doing other business."

Southern Europe, including Spain, Greece and Italy, is a region which has also seen a marked increase in syndicated loan activity. This is probably linked to the fact these countries' bond markets have suffered particularly badly in this year's bear market.

The Kingdom of Spain recently borrowed Ecu8bn over five years at a spread of just 4½ basis points over Libor. The Kingdom of Italy is also rumoured to be considering a syndicated loan.

## NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Lead bank	Book runner
US DOLLARS							
Cheng Long Group	50	Oct 2001	2.50	100.00	-	-	Deban Export
Japan Development Bank	500	Nov 1999	7.50	98.43	7.81	1027 1/2-99	RLJ Sales Bank Corp.
Kingdom of Sweden	500	Nov 1998	6.625	99.09	6.97	105 1/2-98	MS Stanley
OCBC (1992) Class A	250	Oct 2004	4.75	100.00	-	-	Deban Export
OCBC (1992) Class B	44.4	Oct 2004	4.00	98.58	8.43	107 1/2-99	Deban Export
OCBC (1992) Class C	200	Nov 1997	7.25	98.07	7.28	107 1/2-97	Deban Export
Philippine National Bank	100	Oct 1997	8.00	98.00	-	-	Deban Export
Republic of the Philippines	100	Nov 1998	8.00	98.00	-	-	Deban Export
San Jose, Costa Rica	50	Oct 1997	10.25	98.70	10.37	104 1/2-97	MS Bank
US Treasury	1,750m	Nov 2004	6.75	101.00	-	-	Deban Export
Yemen	200	Nov 1998	7.00	98.98	7.06	106 1/2-98	Deban Export
YEN							
French Export Credit	20m	Dec 1997	3.50	99.98	-	-	Yamashita Int'l Europe
SPAR	20m	Oct 1997	3.80	99.99	3.80	-	Yamashita Int'l Europe
SINGAPORE							
Central of Europe	100	Nov 1998	8.75	98.95	8.80	117 1/2-98	MS Stanley
DOLLARS							
World Bank	2m	Oct 1998	7.25	99.43	7.30	106 1/2-98	Deban Export
FRENCH FRANKS							
Commerzbank d'Alsace	2m	Nov 1998	7.00	98.78	7.30	102 1/2-98	OCF
Nov 2004	2m	Nov 2004	8.25	98.58	8.49	109 1/2-04	Société Générale
ITALIAN LIRE							
Banque Nazionale del Lavoro	100m	Nov 1998	11.125	101.15	11.47	-	Credito Italiano
Banque Paribas	200m	Nov 1998	11.125	101.075	10.78	-	Credito Italiano
Nov 2004	200m	Nov 2004	11.125	99.55	10.78	-	Credito Italiano
Nov 2004	200m	Nov 2004	11.125	99.778	11.32	107 1/2-04	MS Bank
EURO DOLLARS							
Commerzbank d'Alsace	250	Nov 2004	7.00	99.88	7.07	107 1/2-04	MS Bank
Nov 1999	250	Nov 1999	7.75	99.98	7.88	107 1/2-99	MS Bank
AUSTRALIAN DOLLARS							
Bank Australia	100	Nov 2004	10.50	101.58	10.61	-	BZW
SWISS FRANKS							
Swiss Bank Corp	150	Oct 1998	2.50	100.00	-	-	Credit Suisse
Nov 1997	125	Nov 1997	5.00	102.30	-	-	Credit Suisse
Nov 2004	150	Nov 2004	5.00	102.75	4.94	-	Credit Suisse
Nov 2004	100	Nov 2004	6.00	101.00	-	-	Credit Suisse
Nov 1997	150	Nov 1997	5.00	102.20	4.94	-	Credit Suisse
Nov 2004	100	Nov 2004	5.75	101.85	5.28	-	Credit Suisse
LUXEMBOURG FRANKS							
Bank of Europe	10m	Oct 1998	8.00	102.16	7.97	-	Bank of Europe
Nov 2004	2m	Nov 2004	8.50	102.30	8.00	-	Bank of Europe
Nov 2004	2m	Nov 2004	8.25	102.15	8.20	-	Bank of Europe
Nov 2004	2m	Nov 2004	8.25	102.25	8.20	-	Bank of Europe
FINLAND							
Finland Export Credit	20m	Dec 1998	3.50	99.98	-	-	Yamashita Int'l Europe
FINLAND							
Finland Export Credit	20m	Dec 1998	3.50	99.98	-	-	Yamashita Int'l Europe
FINLAND							
Finland Export Credit	20m	Dec 1998	3.50	99.98	-	-	Yamashita Int'l Europe

FT

FINANCIAL TIMES  
ConferencesDOING BUSINESS  
WITH HUNGARYInvestment Prospects Re-Appraised  
14 & 15 November 1994 - Budapest

With a new government recently elected to office, this conference will provide a timely opportunity for a re-appraisal of Hungary's attractiveness as a location for direct and increasingly, portfolio investment.

## ISSUES INCLUDE:

- New directions for privatisation in Hungary
- Power sector privatisation and de-regulation
- Investing in Hungary as a European base

## SPEAKERS INCLUDE:

- Dr Gyula Horn  
Prime Minister,  
Hungary
- Mr László Békesi  
Minister of Finance,  
Hungary
- Mr Ferenc Bartha  
Government Commissioner for Privatisation,  
Hungary
- Dr György Surányi  
Managing Director,  
Central-European International Bank Ltd
- Mr Ernst Hofmann  
Managing Director,  
Opel Hungary
- Dr Lajos Bokros  
Chairman & Chief Executive,  
Budapest Bank Ltd  
Chairman of the Council,  
Budapest Stock Exchange
- Mr András Simor  
Managing Director,  
Creditanstalt Securities Ltd

There are some excellent marketing opportunities attached to this conference, please contact Lynette Northey on 071 814 9770 for further details.

Lufthansa  
Number one to Eastern EuropeDOING BUSINESS WITH HUNGARY  
Investment Prospects Re-Appraised



## THE WEEK AHEAD

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## DIVIDEND &amp; INTEREST PAYMENTS

**TODAY**  
Aerospace Eng. 0.5p  
Banco Bilbao Vizcaya Pts38.0  
Corymora 2.6p  
Export-Import Bk. Jap. 74%  
Gtd. Bd. 0.25p  
File Indus. 0.75p  
Gardiner Grp. 0.25p  
Lao 1 B Mtg. Bckd. FRN '95  
£1915.41  
Lao 2 B Mtg. Bckd. FRN '92  
£191.54  
Lothbury Fdg. No.1 A1 Mtg.  
Bckd. FRN '91 £1219.0  
Do. Class A2 £1408.63  
Do. Class B £1608.08  
Nat West Bank 7.3p  
Nationwide Bldg. Scty. Varied  
Nts: '95 £36130.58

**OKI Elect. 74% Bd. 1998**  
Y725000.0  
Rathbone Bros 3p  
Reed Executive 1p  
Stavert Zigmala 8.4145p  
Tomkins 5.3p  
Wormford Invs. 5p  
Williams Hlgs. 5.25p

**TOMORROW**  
Abbey Natl. First Cap. Sb. FRN  
'03 £27.13  
City Centre Restaurants 0.45p  
Collateralised Mtg. Sec.(No.11)  
B Mtg. Bckd. FRN '26 £175.39  
DKB Int. Fltg/Fxd. Flde Gtd.  
Nts. Jul '04 £14876.74  
Islington 12.65% Rd. 2007  
£5.325

**Kobe Steel FRN 1998**  
Y59416.0  
Macfarlane (Clemens) 1.7p  
Morris (Philip) \$0.825  
P & O 14.8% Nts. 1995  
A\$7400.0

**WEDNESDAY OCTOBER 12**  
CRH (Ireland) 5p  
Enterprise Oil 11% Un. Ln.  
'16 £5.8125  
Hewlett-Packard \$0.30  
Howard Hlgs. 0.8p  
Jersey Phoenix 1.5p  
Scottish Eastern Inv. Tst. 0.52p  
Tate & Lyle Int. Fin. 8% Gtd.  
Bd. '99 £33.33  
Telegraph 5.5p

**Wace 1.5p**

**THURSDAY OCTOBER 13**  
Bairdies 6p  
Bishopscote Motor 5.375p  
Brad. & Bingley Bldg. Scty.  
FRN '97 £133.03  
Do. FRN 1998 £133.90  
Enterprise Oil Sb. FRN '99  
£3300.41  
Gibbs & Dandy 1.2p  
Do. A N/Vtg. 1.2p  
HK & Shanghai Bank. Prim.  
Cap. Und. FRN \$54.69  
Lloyds Bank 7.5p  
Marine Mid. Fin. Gtd. FRN '94  
\$13.42  
Natl. Australia Bk. Und. Sb.  
FRN \$230.02

**Sakers Fin. R0.24**  
Slough Estates 3.1p  
Treasury 9% Ln. 2008 £4.50

**FRIDAY OCTOBER 14**  
Assoc British Foods 10p  
Australia 94% Ln. 2012  
£237.50  
Barruda Int. Bd. \$0.20  
Chrysler \$0.25  
Courts 5p  
Domnick Hunter 1p  
Eurotherm 2p  
Evans Halsehaw 5p  
Friends Provident Ethical Inv.  
Tst. 3p  
Do. Units 3p  
Genbel R0.11  
Greggs 7p

**Johnson Fry Second Utilities**  
Tst. 1.5p  
Johnson Fry Utilities Tst. 2.4p  
Jones Stroud 5.5p  
Jos Hlgs. 3.825p  
Lazard High Inc. Tst. 1.6p  
Lilliput 1.85p  
Mallett 0.75p  
Mid Watersand R0.078  
Morgan (JP) \$0.57  
Quaker Oats \$0.57  
Richardson Westgarth 1.3p  
Rosebays 1.5p  
Royal Bk. Can. Govt. Starling  
Fdg. Ptg. 1p  
Sawwa Australia Fin. Gtd. Ptg.  
Fdg. Rate Nts. '04 \$2427.29  
T1 4.05p  
TIS Range 0.5p

**Tops Estates 1.6p**  
US Smaller Co's Inv. Tst. 0.5p

**SATURDAY OCTOBER 15**  
Alex & Alex 11% Cv. Sb.  
Do. '07 \$5.50  
American Brands 124% Un.  
Ln. '08 6.25p  
BCE C\$0.67  
Brit. Assets Tst. 44% Pf.  
575p  
Do. 5% A Pf. 1.75p  
Eldridge Pope 64% Ird. Un.  
Ln. £3.125  
Do. 74% Ird. Un. Ln. £3.75  
Finland (Rep of) 114% Ln. '09  
£287.50  
Franklin Res. \$0.08

**Goode Durrant 34% Pf.**  
0.875p  
Govett Strategic Inv. Tst. 94%  
Db. '17 £4.9375  
Manders 5% Cm. Pf. 1.75p  
MTM 0.5p  
Pacific Gas & Electric \$0.49  
Richards 4% Cm. Pf. 1.4p  
Do. 54% Cm. Pf. 1.44375p  
Sindell (Wm) 59% Cv. Pf.  
2.8125p  
Wendelhave Prop. 94% 1st  
Mtg. Db. '15 £4.75  
Do. 104% 1st Mtg. Db. 2015  
£5.575

**SUNDAY OCTOBER 16**  
Swansea (City of) 134%  
Rd. '06 £6.875

## UK COMPANIES

**TODAY**  
COMPANY MEETINGS:  
Jackson (Wm), Ferguson  
Fawcett Arms, Wokingham,  
Hampshire, 11.00  
Roxapur, 62, Threadneedle  
Street, E.C., 10.00  
BOARD MEETINGS:  
Finale  
Inch Kenneth  
Manganese Bronze  
Scottish Asian Inv.  
Tay Homes  
Interims:  
Goldsmiths  
Hamleys

**Scottish Television**

**TOMORROW**  
COMPANY MEETINGS:  
Fleming Overseas Inv. Tst.,  
25, Cophall Avenue, E.C.,  
12.00  
Howard Hlgs., Kingston  
Lodge Hotel, Kingston Hill,  
Kingston upon Thames, 10.30  
Macer 4, The Brewery,  
Chiswell Street, E.C., 12.00  
Wyke Grp., Birmingham  
Botanical Gardens,  
Westbourne Road, Edgbaston,  
Birmingham, 12.00

**BOARD MEETINGS:**  
Finale:  
Beckman (A)  
Boilum  
F & C PEP Inv. Tst.  
Lendu Hlgs.  
St. Ives  
Thornthorn  
Thornthorn Dual Tst.  
Wescol  
Interims:  
Black (A & C)  
Brown (N)  
Brown (N)  
FRG  
FRG  
NB Smaller Co's Tst.

**Peritos**

**WEDNESDAY**  
OCTOBER 12  
COMPANY MEETINGS:  
TR City of London Tst., 8,  
Finchbury Avenue, E.C., 3.30  
US Smaller Co's Inv. Tst.,  
Smith New Court House, 20,  
Farringdon Road, E.C., 12.15  
BOARD MEETINGS:  
Finale:  
Lloyds Chemists  
Interims:  
BNB Res.  
Capital & Regional Properties

**Fine Decor**  
Ipeco  
REA  
Time Products

**THURSDAY**  
OCTOBER 13  
COMPANY MEETINGS:  
Tottenham Hotspur, Whites  
Restaurant & Club, Paxton  
Road, Tottenham, N., 2.30  
Westport Grp., 32-36, Telford  
Way, W., 10.00  
BOARD MEETINGS:  
Finale:  
Eleco

**Maunder (John)**  
Interims:  
Abbeycrest  
Alexander Workwear  
Body Shop Int.  
Brigford Grp.  
David Brown  
Deyn Grp.  
Meyers Int.  
Tucko  
United Energy

**FRIDAY**  
OCTOBER 14  
COMPANY MEETINGS:  
Brassey, All Saints Church

**Hall, Walsall Road, Darlaston,**  
11.30  
Jones Stroud, Donington  
Thistle Hotel, East Midlands  
Airport, Castle Donnington,  
12.00  
Second Alliance Tst.,  
Meadow House, 64, Reform  
Street, Dundee, 12.30  
Stannaco, Oliver House, 27,  
East Street, New Barnet,  
Herts., 10.00  
BOARD MEETINGS:  
Interims:  
Aberdeen Steak Houses  
Aberforth Split Level Tst.

**Eidos**  
The Rack  
Value & Income Tst.

*Company meetings are annual  
general meetings unless  
otherwise stated.*

Please note: Reports and  
accounts are not normally  
available until approximately  
six weeks after the board  
meeting to approve the  
preliminary results.

## CONFERENCES &amp; EXHIBITIONS

**OCTOBER 11**  
Measuring the value of I.T.  
investments  
This conference discusses how to assess the  
value of I.T. projects and presents I.T.  
investment successfully. It presents  
guidance from leading academics and  
consultants, as well as insights from the  
experience of major organisations, in both  
the private and public sector.  
Contact: Business Intelligence  
Tel: 081 543 6565 Fax: 081 544 9020  
LONDON

**OCTOBER 13**  
Factory outlet centres.  
Opportunity or threat?  
Organised by Retail Week addressing all  
aspects of this rapidly developing sector of  
retailing, with speakers from both sides of  
the Atlantic. Key sessions will look at the  
likely impact on retailing, the opportunity  
for retailers/broad owners and the appeal  
to today's consumer.  
Contact: Sharon Mackenzie  
Tel: +44 (0) 181 488 7780  
Fax: +44 (0) 181 488 8306  
Royal Lancaster Hotel, LONDON

**OCTOBER 13-14**  
IT a servant of radical change  
A conference for decision makers on  
Onepower and Computer Supported Co-  
operative Work. Sir, international,  
independent experts will explain how these  
technologies enable organisations to adapt  
to harsh economic pressures and  
dramatically increase their profitability.  
Contact: Anna Wilson  
Tel: 0582 841232/857672  
DTL, LONDON, SW1

**OCTOBER 17**  
MBA -  
Business School Reception  
The Association of MBAs will host its  
annual Business School reception for  
attending students. Over forty leading  
schools from continental Europe, USA and  
the UK. Free of charge. To register to  
attend and for further details contact the  
event sponsor, NatWest Bank on  
Tel: Freephone 0800 252 700.  
LONDON

**OCTOBER 17 & 18**  
FT World Mobile Communications  
The '94 conference will focus on the growth  
of mobile communications, the various  
technologies being adopted and new  
operator strategies.  
Important Financial Times  
Tel: 0171 730 0000 Fax: 081 672 1335  
LONDON

**OCTOBER 18-19**  
INPOWER 94  
The Independent Power Generation  
Conference and Exhibition, Kensington Park  
Exhibition Centre, Sandway-on-Thames,  
Surrey, England. For free admission details  
contact:  
Lorraine Rogers,  
FMI International Publications Ltd,  
Tel: 0171 768611 Fax: (0737) 761685  
KEMPTON PARK

**OCTOBER 18-19**  
Introduction to Foreign  
Exchange and Money Markets  
Highly participative training course  
covering traditional FX and money  
markets. Featuring: WINTERBURN (PC  
Windows based dealing simulation), For  
Corporate Treasurers, bank dealers,  
marketing executives, financial controllers,  
systems and support personnel.  
(A8) v.e.v.  
Livedford International Ltd  
Tel: 01995 563221 Fax: 01995 563221  
LONDON

**OCTOBER 18-19**  
The Moneywise Computer Show  
See the latest IT developments at St George's  
Hall. Major manufacturers of hardware,  
software, multimedia, superhighways,  
Internet, visual reality, the latest tools,  
laptops, printers and scanners plus training,  
support services and valuable IT and financial  
advice for businesses. Highly informative  
seminar programme.  
Contact for more information:  
Tel: 01474 709 879  
STERLING EVENTS,  
LIVERPOOL

**OCTOBER 19**  
Practical BPR  
Implementation Issues  
2nd Annual Conference of the BPR Study  
Group (CIMA members). New (never  
discussed before), highly successful Case  
studies presented with interactive sessions  
from senior management and practitioners.  
Lively discussions and demonstrations  
including speakers from Ciba-Bank  
International, NatWest Building  
Society, Alliance and Leicester, Capital  
Group, IFS, and others.  
Contact: Mrs. T. Jones, Harlow Associates  
Tel: +44 (0) 1461 124118  
Fax: +44 (0) 1461 065254  
LONDON

**OCTOBER 24**  
Social Justice Commission Report  
The final report of the Commission on Social  
Justice. Housing, employment, personal  
finance and government policy examined.  
Sir Gordon Bore, Tony Blair MP, Ben  
Campbell, Christopher Haskins, Patricia  
Hewitt, Stuart McDonald, John Monks.  
Contact: Neil Stewart Associates  
Tel: 071 976 0682  
LONDON

**OCTOBER 24**  
The Information Superhighway  
A conference to examine and highlight the  
challenges and opportunities in commerce  
and the public sector of the new  
telecommunications technology, and to  
examine Government policies to face these  
challenges. Government Minister and  
Larry Irving, USA Secretary of Commerce  
Contact: Neil Stewart Associates  
Tel: 071 976 0682  
LONDON

**OCTOBER 25 & 26**  
The Third Age of Media  
The changing face of media - the media  
opportunities in the 50+ markets. A joint  
conference organised by Age Concern  
England and The Healthy Centre, this two  
day event is a comprehensive introduction  
to the exciting world of mature marketing  
and media. Cost: £730 + VAT  
Contact: Anna Hansen at  
The Healthy Centre Tel: 071 353 9961  
LONDON

**OCTOBER 25/26**  
Successful Selling '94  
is the only independent Conference and  
Exhibition for the Sales and Marketing  
professionals. The Conference programme  
offers unbeatable value with presentations full  
of ideas, concepts and best practice  
experiences. Networking opportunities abound.  
Call free for a brochure on  
Tel: 0800 132 122  
BIRMINGHAM

**OCTOBER 26 & 27**  
How to Grow Your Business  
using Market Research  
Information is becoming fundamental in  
the running of a business through the use  
of technology. This two day seminar will  
show you how to get the best out of  
market and the real world using it.  
Contact: International Professional  
Conferences Ltd Tel: 061 445 8623  
LONDON

**OCTOBER 27**  
International Tax Conference -  
Managing Global Expansion  
Conference on the tax issues facing  
multinationals in the changing global  
scene.  
Price: £200.00 plus VAT  
Contact: Michelle Beard, Ernst & Young  
Tel: 071 931 2297 Fax: 071 342 3862  
LONDON

**OCTOBER 27 & 28**  
International Bond Congress  
A unique opportunity for all professionals  
involved in the bond markets to increase  
their knowledge with 98 specialist  
presentations. With increasing  
globalisation and deregulation creating a  
dynamic surge in investment flows  
between countries, this event is an essential  
information source for the international  
bond markets.  
Contact: IBC Event Office  
Tel: +44 (0) 1628 776300  
Fax: +44 (0) 1628 323203  
BARBICAN, LONDON

**OCTOBER 31**  
Manufacturing Matters  
The National Pre Budget Conference on  
manufacturing. A working conference on  
manufacturing industrial strategy and fiscal  
policy. Pre Budget outlook from leading  
commentators.  
Contact: Neil Stewart Associates  
Tel: 071 976 0682  
OEL CENTRE, LONDON

**NOVEMBER 1**  
Outsourcing: How to assess  
the option  
Outsourcing non-core activities is likely to  
be among the most important business  
developments of the 1990s. Director  
Conferences presents a one-day conference  
on the benefits and risks of buying in  
professional services including  
accountancy, personnel and legal services.  
Director Conferences  
Tel: 071 730 0622  
LONDON

**NOVEMBER 1**  
Full Circle Into the Future?  
The commercial imperatives facing  
expansionists in the 21st Century.  
The Healthy Centre is celebrating its  
Twentieth Anniversary with this  
Conference that looks forward to the next  
20 years and what it will bring not only in  
terms of the big picture but also the  
commercial implications.  
Contact: Anna Hansen at  
The Healthy Centre Tel: 071 353 9961  
LONDON

**NOVEMBER 3 1994**  
The 1st Annual Review of IT Law  
This prestigious one day conference will  
have the leading speakers, cover the  
critical issues, the legal developments,  
law, litigation, regulation and policy. It  
will have a practical approach for  
practitioners by practitioners.  
Further details from International  
Professional Conferences Ltd  
Tel: 061 445 8623  
LONDON

**NOVEMBER 8**  
Clearing & Settlement Dinner &  
Conference  
Over 300 delegates attended this meeting  
last year and more are expected in  
November. The conference sessions aim to  
bring the important back office sector out of  
the shadows and look at how operational  
managers can find new solutions to  
problems of trade processing etc.  
Contact: Patricia Danand, EMP  
Intelligence Service  
Tel: 071 487 5665 Fax: 071 933 1640  
HEATHROW

**NOVEMBER 8**  
Know Your Performance  
Essentials of Benchmarking. A practical one  
day seminar/workshop. Practical case  
studies, action techniques and use of  
technology. The conference programme  
offers unbeatable value with presentations full  
of ideas, concepts and best practice  
experiences. Networking opportunities abound.  
Call free for a brochure on  
Tel: 0800 132 122  
BIRMINGHAM

**NOVEMBER 8-9**  
Corporate Image  
Learn how to shape your company's image  
for intense competition, capitalise on the  
value of the brand name, build an  
impeccable reputation, and transform the  
workforce with innovation. A conference  
covering the latest techniques and use of  
technology. This two day seminar will  
show you how to get the best out of  
market and the real world using it.  
Contact: International Professional  
Conferences Ltd Tel: 061 445 8623  
LONDON

**NOVEMBER 9**  
Presentations for Professionals  
by Professionals  
At the Maynard Theatre, a seminar on  
creating effective presentations. From  
presentation techniques and use of  
technology, to AV design, slide production,  
etc. Seminars, multi-media, and use of  
technology. This two day seminar will  
show you how to get the best out of  
market and the real world using it.  
Contact: International Professional  
Conferences Ltd Tel: 061 445 8623  
LONDON

**NOVEMBER 9**  
"Visions of Gold"  
Conference celebrating the Modern  
Apprenticeship programme and the part  
NVQs and skills training have to play in  
it. Speakers include: David Giddens,  
Mike Brown, Bill Jordan, Free Leth.  
Sponsored by Employment Department.  
Contact: Kathleen Sutton-King in London.  
Tel: 071 753 5222 Fax: 071 436 7630  
or Chair Armstrong, National Council of  
Industry Training Organisations  
Tel: 0753 247262  
ALDGAZE, LONDON

**NOVEMBER 9**  
Future of Executive and All-  
Employee Share Schemes  
Labour's City Spokesman, Adrian Daling  
MP and leading company Directors discuss  
best practice in employee share schemes.  
Case studies from British Gas, BT, FI  
Group, NCC, Northern Foods and Unilever.  
Organized by ProShare, a non-profit  
organisation of leading companies.  
Contact: Andy Pollock, ProShare  
Tel: 071 600 0984 Fax: 071 600 0947  
LONDON

**NOVEMBER 9 & 10, 23 & 30**  
Positive Management of  
Workforce Restructuring  
There is no easy solution to the problems  
of workforce restructuring. But managed  
with skill, the impact on the company and  
those who must leave can be minimised.  
This workshop is designed to  
illustrate through practical case study  
material how to manage restructuring  
positively. For further details contact:  
Rachel Thomas or Sarah Williams, IBC  
Technical Services  
Tel: 071 637 4383 Fax: 071 631 3214  
LONDON

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ensure your function runs smoothly  
and successfully - ideal for up to 4000  
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to this world class location.  
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**NOVEMBER 10-11**  
Hotel Investment & Tourism  
Development in Central & Eastern  
Europe & the Central Asian Republics  
Investment opportunities in 15 countries and  
how to finance them. The conference  
event for established investors and those  
exploring the markets. Bring together the key  
players from East and West. Conference  
subject presented by 30 speakers.  
Contact: Development Journal  
Fax: 081 440 3227  
LONDON

**NOVEMBER 15**  
International Mobility  
CBI conference addresses findings from  
survey on current practices and new  
developments in international management  
practices, particularly in newly emerging  
economies of Central and Eastern Europe  
and the Pacific Rim. Conference examines  
practical approaches to remuneration  
package, cost control and provides company  
case study examples.  
Contact: Sandra Aldred, CBI Conferences  
Tel: 071 739 7400 Fax: 071 497 3646  
LONDON

**NOVEMBER 15-16**  
Strategic Management  
Sharpen your ability to manage  
strategically by learning how to: lead  
strategic change; manage for value; pursue  
a strategic customer focus and bridge  
cultural differences.  
Contact: Kathleen Sutton-King in London.  
Tel: 071 753 5222 Fax: 071 436 7630  
LONDON

**NOVEMBER 15 & 16**  
High Involvement  
Leadership  
Controlling change; concentrating on high  
pay-off activities; creating partnerships;  
restructuring; motivating and  
enhancing team performance; and  
stimulating innovation. These are issues  
included in this intensive briefing to train  
both operations and top management  
executives to operate effectively in  
a new world.  
Contact: Rachel Thomas or Sarah Williams  
IBC Technical Services  
Tel: 071 637 4383 Fax: 071 631 3214  
ALDGAZE PARK

**NOVEMBER 15-16**  
Performance  
Measurement  
Transforming corporate performance by  
measuring and managing the drivers of  
performance. This two-day conference  
explores the relevance and  
possibilities of developing new "corporate  
dashboards", which include non-financial  
indicators, such as customer satisfaction,  
quality and benchmarking.  
Contact: Business Intelligence  
Tel: 081 543 6565 Fax: 081 544 9020  
LONDON

**NOVEMBER 17**  
Managed Finance Funds -  
Trading Adviser Seminar  
Looking at the risks, rewards and  
performance of trading advisers, a panel of  
highly qualified market participants address  
key issues facing the managed derivatives  
industry worldwide. An important meeting  
for current and potential fund advisers and  
anyone else involved in this field.  
Contact: Business Intelligence  
Tel: 071 637 4383 Fax: 071 631 3214  
ALDGAZE PARK

**NOVEMBER 17**  
Karyes  
CBI conference plus workshops, in  
association with Standard Chartered Bank,  
considers current developments,  
opportunities and future prospects  
for the derivatives industry. Keynote address by  
President David T. and speakers from  
the high powered delegation of  
Managers and senior officials.  
Contact: Business Intelligence  
Tel: 071 637 4383 Fax: 071 631 3214  
LONDON

**NOVEMBER 17-18**  
Beyond Economic Reform:  
Wendy Underhill Zaidi  
Economic reform in Mexico has been much  
praised, but doubts remain regarding the  
social and political system. This conference  
will explore the priorities for reform of  
President-elect Zedillo. Speakers are  
specialists from Mexico and the UK.  
Details and booking: Institute of Latin  
American Studies, e-mail: lat@iias.ac.uk  
Tel: 071 387 5671 Fax: 071 388 5624  
LONDON

**NOVEMBER 21 & 22**  
Third Central Banking Conference  
Feature leading speakers from the central  
banks of China, India, France, Hungary,  
Finland, Austria, Poland, Venezuela and the  
Bank of England, EMI and IMF. Sponsor  
The World Bank Group, Barclays Finance  
Media and Clifford Chance.  
Details: Clarydon Ltd  
Tel: 0225 466744 Fax: 0225 442903  
LONDON

**NOVEMBER 21-22**  
Business Process  
Re-engineering (BPR)  
Continuing series of seminars for managers  
charged with designing and implementing  
BPR initiatives. Presented by leading US  
practitioner and BPR author. Proven how-to-  
do-it implementation guide illustrated with  
case studies and real world examples. Over 50  
organisations have already attended.  
Contact: Richard Paris, Vertical Systems  
Interstate Ltd  
Tel: +44 (0) 242 282666 (24 hours)  
Fax: +44 (0) 242 282666  
UNIVERSITY OF WARWICK

**NOVEMBER 22**  
Investing in Commodities  
Feature leading speakers from The World Bank,  
BZWM, Warburg Asset Management &  
SABRE Fund Management, this full day  
seminar looks at the new liquidity  
available to fund managers investing in  
commodities. Of interest to anyone  
interested in commodity investment.  
Full brochure: Futures & Options World  
Tel: (071) 827 9977 Fax: (071) 827 5236  
LONDON

**NOVEMBER 23**  
Developing a Learning Organisation  
Bob Grant leading expert in management  
education, and motivational speaker, Robert  
Grant will address delegates attending this  
seminar. The seminar will help you  
"Developing a Learning Organisation"  
focuses on the principles that organisations  
can only become and remain effective if the  
people selected to run them are capable of  
learning continuously and giving direction.  
Contact: SBC (Human Resources Ltd)  
Tel: 0823 321421  
BRISTOL

**NOVEMBER 24 & 25**  
Offshore Trusts Administration/  
Offshore Trusts & Trusts  
IBC has arranged two one-day conferences  
on related aspects of the offshore world,  
which complement each other perfectly, but  
which can be attended separately if desired.  
Further details from International  
Professional Conferences Ltd  
Tel: 061 445 8623  
JERSEY

**NOVEMBER 24/25**  
Differentiating Customer  
Proposition  
CBI/Develco & Partners conference, chaired  
by John Humphrys, shows how to transform  
business processes to deliver cost  
effectiveness and market differentiation.  
(Optional workshop on second day).  
Contact: Binda Rogers, CBI Conferences  
Tel: 071 739 7400 Fax: 071 497 3646  
Jula Robins, Develco & Partners  
Tel: 071 917 9988  
LONDON

**NOVEMBER 24/25**  
FT Manchester Postgraduate Fair  
This is the first postgraduate fair to be held  
in Manchester. This fair will provide  
exhibitions with a unique opportunity to  
attract the highest calibre of students for  
postgraduate courses. Booking deadline for  
exhibitors - October 21.  
Contact: Kay Day at Manchester  
Tel: 061 275 2952  
MANCHESTER

**NOVEMBER 28**  
FT Financial Reporting in the UK  
This year's conference will provide essential  
guidance for preparers and users of accounts  
on interpreting the complexities of existing  
and emerging ASB standards. Issues to be  
covered will include: Accounting for  
balance sheet items; merger and  
acquisition accounting; financial statements  
and financial derivatives.  
Sponsors: Financial Times  
Tel: 081 673 9000 Fax: 081 673 1335  
LONDON

**NOVEMBER 28**  
Practical Tax Treaties  
Key topics include: Strategic tax planning  
through double tax treaties in Western Europe,  
North America and the developing countries of  
Asia, Africa and Latin America; the  
development and application of double tax  
treaties in Russia and Eastern Europe; the new  
US/UK double tax treaty and recent  
developments and interpretations in UK double  
tax agreements. Contact: Kate Roberts, IBC  
Legal Studies and Services Limited  
Tel: 071 637 4383 Fax: 071 631 3214  
LONDON

**NOVEMBER 28-29**  
Annual Company Secretaries  
Conference  
The conference will discuss developments  
in the Corporate Governance, Benefits &  
Remuneration strategies, Pension Scheme  
Legislation and Company Law and how  
this would impact on the increasingly  
challenging and demanding role of the  
Company Secretary.  
Contact: Jonathan Greenhalgh, AIC Conference  
Tel: 071 329 4445 Fax: 071 329 4442  
LANGHAM-HILTON

**NOVEMBER 28-29**  
Global Emerging Markets  
Investment Management  
Major international conference on global  
emerging debt and equity markets looking at  
S.E. Eastern Europe, Africa, the  
Mediterranean, Russia and India  
Subcontinent, Latin America and the  
Caribbean. Programme designed for  
international portfolio investors and asset  
managers. Speakers are drawn from  
Contact: Alison Elgar,  
Dow Jones Elgar Ltd  
Tel: 071 832 9532 Fax: 071 353 2791  
LONDON

**NOVEMBER 29-30**  
Managing Corporate  
Transition  
The UK's premier event on planning,  
implementing and sustaining organisational  
and cultural change. This two-day  
conference includes lunch and afternoon  
tea. Why so many initiatives fail and explore  
proven methods for achieving critical buy-in  
and support for new organisational  
change. Business Intelligence  
Contact: Business Intelligence  
Tel: 081 543 6565 Fax: 081 544 9020  
LONDON

**NOVEMBER 29-30**  
Accounting and Taxation for  
Derivatives  
This conference considers the IASC  
International Accounting Standards for  
performance and market share. Focuses on  
general insurance, mortgage, value  
management, customer loyalty, database  
segmentation, distribution channels and  
intermediaries. Speakers are drawn from  
senior management of the Halifax, Alliance  
and Leicester, the Woolwich, Bradford &  
Bingley, Nationwide, Chelsea, Fortnum  
and Mason, and others.  
Contact: Simon Wills  
Tel: 071 242 1548, AIC Conferences Ltd  
Tel: 071 242 2330  
LONDON

**DECEMBER 1**  
City Regulation - A Legal Evolution  
This conference will debate the  
implications of performance targets, the highly  
regulatory nature of the industry and the  
need to ensure efficiency and effectively. How  
Proshare can help, how to choose between  
conflicting shares and options and complying  
with your disclosure obligations.  
Contact: Vicki Griffin, IBC Legal Studies  
and Services Limited  
Tel: 071 637 4383 Fax: 071 631 3214  
LONDON

**DECEMBER 2**  
Derivatives - The New Frontier  
of Tax Planning  
With the increasing number of new  
products and strategies coming onto the  
market, this conference will help you  
decide whether your company should be  
using derivatives and if so, how you can  
realise the full benefits of the different  
products on offer. Learn how derivatives  
can be used as part of your corporate  
strategy to minimise tax.  
Contact: Vicki Griffin, IBC Legal Studies  
and Services Limited  
Tel: 071 637 4383 Fax: 071 631 3214







## CURRENCIES AND MONEY

## POUND SPOT FORWARD AGAINST THE POUND

Oct 7	Closing mid-point	Change on day	Oct 7	Closing mid-point	Change on day
Europe	12.500	-0.008	420	12.500	-0.008
Australia	90.1173	-0.0021	881	90.1173	-0.0021
Belgium	8.909	-0.011	881	8.909	-0.011
Denmark	7.325	-0.042	224	7.325	-0.042
France	8.9797	-0.005	725	8.9797	-0.005
Germany	2.4811	-0.0015	487	2.4811	-0.0015
Greece	374.154	-0.007	630	374.154	-0.007
Ireland	1.0114	-0.0014	106	1.0114	-0.0014
Italy	249.840	-0.008	822	249.840	-0.008
Japan	50.4173	-0.0021	881	50.4173	-0.0021
Netherlands	1.0114	-0.0014	106	1.0114	-0.0014
Norway	10.5332	-0.0077	486	10.5332	-0.0077
Portugal	250.210	-0.004	822	250.210	-0.004
Spain	11.5337	-0.0021	881	11.5337	-0.0021
Sweden	2.4811	-0.0015	487	2.4811	-0.0015
Switzerland	2.4811	-0.0015	487	2.4811	-0.0015
UK	1.0000	-0.0000	0	1.0000	-0.0000
USA	1.6282	-0.001	815	1.6282	-0.001
SDR	0.622058	-0.0000	0	0.622058	-0.0000

## DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Oct 7	Closing mid-point	Change on day	Oct 7	Closing mid-point	Change on day
Europe	10.8465	-0.0023	440	10.8465	-0.0023
Australia	90.1173	-0.0021	881	90.1173	-0.0021
Belgium	8.909	-0.011	881	8.909	-0.011
Denmark	7.325	-0.042	224	7.325	-0.042
France	8.9797	-0.005	725	8.9797	-0.005
Germany	2.4811	-0.0015	487	2.4811	-0.0015
Greece	374.154	-0.007	630	374.154	-0.007
Ireland	1.0114	-0.0014	106	1.0114	-0.0014
Italy	249.840	-0.008	822	249.840	-0.008
Japan	50.4173	-0.0021	881	50.4173	-0.0021
Netherlands	1.0114	-0.0014	106	1.0114	-0.0014
Norway	10.5332	-0.0077	486	10.5332	-0.0077
Portugal	250.210	-0.004	822	250.210	-0.004
Spain	11.5337	-0.0021	881	11.5337	-0.0021
Sweden	2.4811	-0.0015	487	2.4811	-0.0015
Switzerland	2.4811	-0.0015	487	2.4811	-0.0015
UK	1.0000	-0.0000	0	1.0000	-0.0000
USA	1.6282	-0.001	815	1.6282	-0.001
SDR	0.622058	-0.0000	0	0.622058	-0.0000

## WORLD INTEREST RATES

Oct 7	Over night	One month	Three months	Six months	One year	Libor	Dis	Repo
Belgium	4%	5%	5%	5%	6%	7.40	4.50	-
France	5%	5%	5%	5%	6%	5.00	-	6.75
Germany	4.5%	4.5%	4.5%	4.5%	5.5%	5.00	4.50	4.50
Italy	4.15	4.85	5.18	5.28	6.00	4.50	4.50	4.50
Netherlands	4%	5%	5%	5%	6%	7.40	4.50	-
Portugal	4.5%	5.0%	5.25	5.35	5.75	-	-	5.25
Spain	3%	4%	4%	4%	4%	6.85	3.50	-
Sweden	4%	5%	5%	5%	6%	4.00	-	4.00
Switzerland	2%	3%	3%	3%	3%	1.75	-	1.75
UK	5%	5%	5%	5%	6%	7.40	4.50	-
USA	5%	5%	5%	5%	6%	7.40	4.50	-
SDR	5%	5%	5%	5%	6%	7.40	4.50	-

Oct 7	Closing mid-point	Change on day	Oct 7	Closing mid-point	Change on day
Europe	12.500	-0.008	420	12.500	-0.008
Australia	90.1173	-0.0021	881	90.1173	-0.0021
Belgium	8.909	-0.011	881	8.909	-0.011
Denmark	7.325	-0.042	224	7.325	-0.042
France	8.9797	-0.005	725	8.9797	-0.005
Germany	2.4811	-0.0015	487	2.4811	-0.0015
Greece	374.154	-0.007	630	374.154	-0.007
Ireland	1.0114	-0.0014	106	1.0114	-0.0014
Italy	249.840	-0.008	822	249.840	-0.008
Japan	50.4173	-0.0021	881	50.4173	-0.0021
Netherlands	1.0114	-0.0014	106	1.0114	-0.0014
Norway	10.5332	-0.0077	486	10.5332	-0.0077
Portugal	250.210	-0.004	822	250.210	-0.004
Spain	11.5337	-0.0021	881	11.5337	-0.0021
Sweden	2.4811	-0.0015	487	2.4811	-0.0015
Switzerland	2.4811	-0.0015	487	2.4811	-0.0015
UK	1.0000	-0.0000	0	1.0000	-0.0000
USA	1.6282	-0.001	815	1.6282	-0.001
SDR	0.622058	-0.0000	0	0.622058	-0.0000

Oct 7	Closing mid-point	Change on day	Oct 7	Closing mid-point	Change on day
Europe	10.8465	-0.0023	440	10.8465	-0.0023
Australia	90.1173	-0.0021	881	90.1173	-0.0021
Belgium	8.909	-0.011	881	8.909	-0.011
Denmark	7.325	-0.042	224	7.325	-0.042
France	8.9797	-0.005	725	8.9797	-0.005
Germany	2.4811	-0.0015	487	2.4811	-0.0015
Greece	374.154	-0.007	630	374.154	-0.007
Ireland	1.0114	-0.0014	106	1.0114	-0.0014
Italy	249.840	-0.008	822	249.840	-0.008
Japan	50.4173	-0.0021	881	50.4173	-0.0021
Netherlands	1.0114	-0.0014	106	1.0114	-0.0014
Norway	10.5332	-0.0077	486	10.5332	-0.0077
Portugal	250.210	-0.004	822	250.210	-0.004
Spain	11.5337	-0.0021	881	11.5337	-0.0021
Sweden	2.4811	-0.0015	487	2.4811	-0.0015
Switzerland	2.4811	-0.0015	487	2.4811	-0.0015
UK	1.0000	-0.0000	0	1.0000	-0.0000
USA	1.6282	-0.001	815	1.6282	-0.001
SDR	0.622058	-0.0000	0	0.622058	-0.0000

Oct 7	Over night	One month	Three months	Six months	One year	Libor	Dis	Repo
Belgium	4%	5%	5%	5%	6%	7.40	4.50	-
France	5%	5%	5%	5%	6%	5.00	-	6.75
Germany	4.5%	4.5%	4.5%	4.5%	5.5%	5.00	4.50	4.50
Italy	4.15	4.85	5.18	5.28	6.00	4.50	4.50	4.50
Netherlands	4%	5%	5%	5%	6%	7.40	4.50	-
Portugal	4.5%	5.0%	5.25	5.35	5.75	-	-	5.25
Spain	3%	4%	4%	4%	4%	6.85	3.50	-
Sweden	4%	5%	5%	5%	6%	4.00	-	4.00
Switzerland	2%	3%	3%	3%	3%	1.75	-	1.75
UK	5%	5%	5%	5%	6%	7.40	4.50	-
USA	5%	5%	5%	5%	6%	7.40	4.50	-
SDR	5%	5%	5%	5%	6%	7.40	4.50	-

## CROSS RATES AND DERIVATIVES

Oct 7	Open	Settle	Change	High	Low	Est. vol	Open Int.
Dec	0.8480	0.8486	-0.0006	0.8500	0.8457	17,358	77,387
Mar	0.8517	0.8474	-0.0043	0.8500	0.8458	55	3,035
Jun	0.8485	-0.0021	-	-	-	3	583

## FT GOLD MINES INDEX

Oct 7	Open	Settle	Change	High	Low	Est. vol	Open Int.
Dec	0.8480	0.8486	-0.0006	0.8500	0.8457	17,358	77,387
Mar	0.8517	0.8474	-0.0043	0.8500	0.8458	55	3,035
Jun	0.8485	-0.0021	-	-	-	3	583

## THREE MONTH EURO/DOLLAR (MM) \$1m per 100%

Oct 7	Open	Settle	Change	High	Low	Est. vol	Open Int.
Dec	0.8480	0.8486	-0.0006	0.8500	0.8457	17,358	77,387
Mar	0.8517	0.8474	-0.0043	0.8500	0.8458	55	3,035
Jun	0.8485	-0.0021	-	-	-	3	583

## BANK RETURN

Oct 7	Open	Settle	Change	High	Low	Est. vol	Open Int.
Dec	0.8480	0.8486	-0.0006	0.8500	0.8457	17,358	77,387
Mar	0.8517	0.8474	-0.0043	0.8500	0.8458	55	3,035
Jun	0.8485	-0.0021	-	-	-	3	583

## UK INTEREST RATES

Oct 7	Open	Settle	Change	High	Low	Est. vol	Open Int.
Dec	0.8480	0.8486	-0.0006	0.8500	0.8457	17,358	77,387
Mar	0.8517	0.8474	-0.0043	0.8500	0.8458	55	3,035
Jun	0.8485	-0.0021	-	-	-	3	583

## EQUITY AND INDEX OPTIONS

Oct 7	Open	Settle	Change	High	Low	Est. vol	Open Int.
Dec	0.8480	0.8486	-0.0006	0.8500	0.8457	17,358	77,387
Mar	0.8517	0.8474	-0.0043	0.8500	0.8458	55	3,035
Jun	0.8485	-0.0021	-	-	-	3	583

## UK GILTS PRICES

Oct 7	Open	Settle	Change	High	Low	Est. vol	Open Int.
Dec	0.8480	0.8486	-0.0006	0.8500	0.8457	17,358	77,387
Mar	0.8517	0.8474	-0.0043	0.8500	0.8458	55	3,035
Jun	0.8485	-0.0021	-	-	-	3	583

## BASE LENDING RATES

Oct 7	Open	Settle	Change	High	Low	Est. vol	Open Int.
Dec	0.8480	0.8486	-0.0006	0.8500	0.8457	17,358	77,387
Mar	0.8517	0.8474	-0.0043	0.8500	0.8458	55	3,035
Jun	0.8485	-0.0021	-	-	-	3	583

## FUTURES CALL

Oct 7	Open	Settle	Change	High	Low	Est. vol	Open Int.
Dec	0.8480	0.8486	-0.0006	0.8500	0.8457	17,358	77,387
Mar	0.8517	0.8474	-0.0043	0.8500	0.8458	55	3,035
Jun	0.8485	-0.0021	-	-	-	3	583

## STOCK INDICES

Oct 7	Open	Settle	Change	High	Low	Est. vol	Open Int.
Dec	0.8480	0.8486	-0.0006	0.8500	0.8457	17,358	77,387
Mar	0.8517	0.8474	-0.0043	0.8500	0.8458	55	3,035
Jun	0.8485	-0.0021	-	-	-	3	583

## FOREXIA FAX \$ &amp; £ Dm ¥

Oct 7	Open	Settle	Change	High	Low	Est. vol	Open Int.
Dec	0.8480	0.8486	-0.0006	0.8500	0.8457	17,358	77,387
Mar	0.8517	0.8474	-0.0043	0.8500	0.8458	55	3,035
Jun	0.8485	-0.0021	-	-	-	3	583

## REUTERS 1000

Oct 7	Open	Settle	Change	High	Low	Est. vol	Open Int.
Dec	0.8480	0.8486	-0.0006	0.8500	0.8457	17,358	77,387
Mar	0.8517	0.8474	-0.0043	0.8500	0.8458	55	3,035
Jun	0.8485	-0.0021	-	-	-	3	583

## SOUTH AFRICA

Oct 7	Open	Settle	Change	High	Low	Est. vol	Open Int.
Dec	0.8480	0.8486	-0.0006	0.8500	0.8457	17,358	77,387
Mar	0.8517	0.8474	-0.0043	0.8500	0.8458	55	3,035
Jun	0.8485	-0.0021	-	-	-	3	583

## FOREXIA FAX \$ &amp; £ Dm ¥

Price	WT%	Amount	Interest	due	City	Rate
0.00						
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/10/2000	10.00	10.00	10.00
10.00	100%	1.000	10/			







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*What concentrates our mind? The thought that unless we continue to be brighter and work better we do not have a future. Which is why from advice to implementation, cross-border, cross-sector, we intend to work until the job is not only done, but done well. Let there be no mistake.*

**etail**

INVESTMENT BANKING. FROM A TO

**BZ**  
W



### HEALTH CARE - Cont.

### HEALTH CARE - Cont.



## 29

**TABLE 1**

[illegible]



## NEW YORK STOCK EXCHANGE COMPOSITE PRICES

From



**NASDAQ NATIONAL MARKET**

**4 pm class October**

Stock	PM	10	15	20	25	30	35	40	45	50	55	60	65	70	75	80	85	90	95	100	105	110	115	120	125	130	135	140	145	150	155	160	165	170	175	180	185	190	195	200	205	210	215	220	225	230	235	240	245	250	255	260	265	270	275	280	285	290	295	300	305	310	315	320	325	330	335	340	345	350	355	360	365	370	375	380	385	390	395	400	405	410	415	420	425	430	435	440	445	450	455	460	465	470	475	480	485	490	495	500	505	510	515	520	525	530	535	540	545	550	555	560	565	570	575	580	585	590	595	600	605	610	615	620	625	630	635	640	645	650	655	660	665	670	675	680	685	690	695	700	705	710	715	720	725	730	735	740	745	750	755	760	765	770	775	780	785	790	795	800	805	810	815	820	825	830	835	840	845	850	855	860	865	870	875	880	885	890	895	900	905	910	915	920	925	930	935	940	945	950	955	960	965	970	975	980	985	990	995	1000	1005	1010	1015	1020	1025	1030	1035	1040	1045	1050	1055	1060	1065	1070	1075	1080	1085	1090	1095	1100	1105	1110	1115	1120	1125	1130	1135	1140	1145	1150	1155	1160	1165	1170	1175	1180	1185	1190	1195	1200	1205	1210	1215	1220	1225	1230	1235	1240	1245	1250	1255	1260	1265	1270	1275	1280	1285	1290	1295	1300	1305	1310	1315	1320	1325	1330	1335	1340	1345	1350	1355	1360	1365	1370	1375	1380	1385	1390	1395	1400	1405	1410	1415	1420	1425	1430	1435	1440	1445	1450	1455	1460	1465	1470	1475	1480	1485	1490	1495	1500	1505	1510	1515	1520	1525	1530	1535	1540	1545	1550	1555	1560	1565	1570	1575	1580	1585	1590	1595	1600	1605	1610	1615	1620	1625	1630	1635	1640	1645	1650	1655	1660	1665	1670	1675	1680	1685	1690	1695	1700	1705	1710	1715	1720	1725	1730	1735	1740	1745	1750	1755	1760	1765	1770	1775	1780	1785	1790	1795	1800	1805	1810	1815	1820	1825	1830	1835	1840	1845	1850	1855	1860	1865	1870	1875	1880	1885	1890	1895	1900	1905	1910	1915	1920	1925	1930	1935	1940	1945	1950	1955	1960	1965	1970	1975	1980	1985	1990	1995	2000	2005	2010	2015	2020	2025	2030	2035	2040	2045	2050	2055	2060	2065	2070	2075	2080	2085	2090	2095	2100	2105	2110	2115	2120	2125	2130	2135	2140	2145	2150	2155	2160	2165	2170	2175	2180	2185	2190	2195	2200	2205	2210	2215	2220	2225	2230	2235	2240	2245	2250	2255	2260	2265	2270	2275	2280	2285	2290	2295	2300	2305	2310	2315	2320	2325	2330	2335	2340	2345	2350	2355	2360	2365	2370	2375	2380	2385	2390	2395	2400	2405	2410	2415	2420	2425	2430	2435	2440	2445	2450	2455	2460	2465	2470	2475	2480	2485	2490	2495	2500	2505	2510	2515	2520	2525	2530	2535	2540	2545	2550	2555	2560	2565	2570	2575	2580	2585	2590	2595	2600	2605	2610	2615	2620	2625	2630	2635	2640	2645	2650	2655	2660	2665	2670	2675	2680	2685	2690	2695	2700	2705	2710	2715	2720	2725	2730	2735	2740	2745	2750	2755	2760	2765	2770	2775	2780	2785	2790	2795	2800	2805	2810	2815	2820	2825	2830	2835	2840	2845	2850	2855	2860	2865	2870	2875	2880	2885	2890	2895	2900	2905	2910	2915	2920	2925	2930	2935	2940	2945	2950	2955	2960	2965	2970	2975	2980	2985	2990	2995	3000	3005	3010	3015	3020	3025	3030	3035	3040	3045	3050	3055	3060	3065	3070	3075	3080	3085	3090	3095	3100	3105	3110	3115	3120	3125	3130	3135	3140	3145	3150	3155	3160	3165	3170	3175	3180	3185	3190	3195	3200	3205	3210	3215	3220	3225	3230	3235	3240	3245	3250	3255	3260	3265	3270	3275	3280	3285	3290	3295	3300	3305	3310	3315	3320	3325	3330	3335	3340	3345	3350	3355	3360	3365	3370	3375	3380	3385	3390	3395	3400	3405	3410	3415	3420	3425	3430	3435	3440	3445	3450	3455	3460	3465	3470	3475	3480	3485	3490	3495	3500	3505	3510	3515	3520	3525	3530	3535	3540	3545	3550	3555	3560	3565	3570	3575	3580	3585	3590	3595	3600	3605	3610	3615	3620	3625	3630	3635	3640	3645	3650	3655	3660	3665	3670	3675	3680	3685	3690	3695	3700	3705	3710	3715	3720	3725	3730	3735	3740	3745	3750	3755	3760	3765	3770	3775	3780	3785	3790	3795	3800	3805	3810	3815	3820	3825	3830	3835	3840	3845	3850	3855	3860	3865	3870	3875	3880	3885	3890	3895	3900	3905	3910	3915	3920	3925	3930	3935	3940	3945	3950	3955	3960	3965	3970	3975	3980	3985	3990	3995	4000	4005	4010	4015	4020	4025	4030	4035	4040	4045	4050	4055	4060	4065	4070	4075	4080	4085	4090	4095	4100	4105	4110	4115	4120	4125	4130	4135	4140	4145	4150	4155	4160	4165	4170	4175	4180	4185	4190	4195	4200	4205	4210	4215	4220	4225	4230	4235	4240	4245	4250	4255	4260	4265	4270	4275	4280	4285	4290	4295	4300	4305	4310	4315	4320	4325	4330	4335	4340	4345	4350	4355	4360	4365	4370	4375	4380	4385	4390	4395	4400	4405	4410	4415	4420	4425	4430	4435	4440	4445	4450	4455	4460	4465	4470	4475	4480	4485	4490	4495	4500	4505	4510	4515	4520	4525	4530	4535	4540	4545	4550	4555	4560	4565	4570	4575	4580	4585	4590	4595	4600	4605	4610	4615	4620	4625	4630	4635	4640	4645	4650	4655	4660	4665	4670	4675	4680	4685	4690	4695	4700	4705	4710	4715	4720	4725	4730	4735	4740	4745	4750	4755	4760	4765	4770	4775	4780	4785	4790	4795	4800	4805	4810	4815	4820	4825	4830	4835	4840	4845	4850	4855	4860	4865	4870	4875	4880	4885	4890	4895	4900	4905	4910	4915	4920	4925	4930	4935	4940	4945	4950	4955	4960	4965	4970	4975	4980	4985	4990	4995	5000	5005	5010	5015	5020	5025	5030	5035	5040	5045	5050	5055	5060	5065	5070	5075	5080	5085	5090	5095	5100	5105	5110	5115	5120	5125	5130	5135	5140	5145	5150	5155	5160	5165	5170	5175	5180	5185	5190	5195	5200	5205	5210	52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*4 pm close October 2*

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## FT GUIDE TO THE WEEK

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MONDAY

## EU convergence criteria

The European Commission is to make recommendations on how all European Union member states except Luxembourg and Ireland should bring down their budget deficits and government debt, to get in line with the Maastricht treaty requirements for European monetary union.

The advice, due at a meeting of EU finance ministers in Luxembourg, is the first instance of the so-called "excessive budgets procedure" envisaged by Maastricht. Unusually, the Commission recommendations are likely to be made public, partly to avoid any speculative pressure on the currencies of the most indebted states, such as Italy.

**Security in Europe:** Officials from 35 European, North American and former Soviet states gather to start preparing for the December summit of the Conference on Security and Cooperation in Europe. Russia wants the CSCE to be given greater powers to intervene in local conflicts, and is also seeking western approval for its military presence in the republics on its southern border.

## UK economics:

Minutes of the September 7 meeting between Kenneth Clarke, chancellor of the exchequer, and Eddie George, governor of the Bank of England (left), are published.

The duo decided to raise base rates from 5.25 to 5.75 per cent, but the decision required a second meeting two days later. Their debate may provide clues on the future direction of base rates.

**Nobel prizes:** The annual season gets under way in Stockholm with the announcement of the prize for medicine. Tomorrow and Wednesday see the awards for economics, physics and chemistry. On Friday, the stage shifts to Oslo for the peace prize announcement. Top favourites for the peace prize are Yasser Arafat, Yitzhak Rabin and Shimon Peres for their part in the Middle East peace process.

**Romanian students protesting:** at educational conditions have threatened to chain themselves to railway tracks.

**UK politics:** The House of Lords, the unelected upper chamber of parliament, returns after its summer recess.

**FT Survey:** Business Travel.

**Holidays:** Argentina (Columbus Day), Canada (Thanksgiving), Japan, Kenya, Peru, South Africa (Kruger Day), Taiwan, US (Columbus Day).

11

TUESDAY

## War crimes tribunal

The chief prosecutor in the International War Crimes Tribunal, Richard Goldstone, is to hold a press conference in The Hague after his first visit to former Yugoslavia.

Judge Goldstone last week visited Croatia, Bosnia and Serbia to try to persuade the authorities to hand over war criminals. The Tribunal's first indictments are due to be made by November.

## Tory party conference:

Britain's governing party opens its annual conference in the resort of Bournemouth on the south coast of England (to Oct 14). The leadership is determined to avoid the temptation to attack Tony Blair's new-look opposition Labour party and will try to concentrate on what it sees as the government's solid record of achievement - particularly in its handling of the economy.

Prime minister John Major speaks on Friday. Potential flashpoints include Northern Ireland, and home affairs, where the performance of struggling home secretary Michael Howard will be monitored closely.

**Pakistan opposition leader Nawaz Sharif** has called a general strike as part of an anti-government campaign; prime minister Benazir Bhutto has called for talks with the opposition.

**Peru election deadline:** Hopefuls for the Peruvian presidential election next April have to register their candidacy by today. The incumbent, Alberto Fujimori, is expected to stand again.

Fujimori's many challengers include his estranged wife, Susana Higuchi, who must win a ruling from a constitutional court to overturn a bar on relatives of the head of state standing for the presidency, and 74-year-old former UN secretary-general, Javier Perez de Cuellar.

## Bid to smash Windows:

IBM attempts to oust Microsoft's Windows operating system for desktop computers from its market dominance by launching Warp, a new version of its OS/2. Its attack comes at a bad time for Microsoft, whose own challenger, Chicago, has been delayed.

**Sale rooms:** Two miniatures by Nicholas Hilliard, who portrayed the characters of the Elizabethan Court, come up for auction at Sotheby's in London. One of Queen Elizabeth I, dated to 1590, is estimated at \$5,000 while a melancholic young man could make \$30,000. They are part of a group of 200 miniatures collected by the late R.L. Bayne-Powell.

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WEDNESDAY

## Gore visits Nicaragua



US vice-president Al Gore visits Nicaragua to attend a summit of central American presidents focusing on the environment. Central America's six presidents are to meet in Managua in a bid to strengthen the Alliance for Sustainable Development, a plan to protect the region's environment while exploiting its rich natural resources.

**UK economy:** Inflation may be low, but judging by gilt yields, investors cannot believe it will stay that way. However, September's retail prices index, out today, is expected to show that underlying inflation is still within the lower half of the government's 1-4 per cent target range.

**Aftermath:** A week after an earthquake off Japan's northern island of Hokkaido, measuring 8.2 on the Richter scale, Tokyo hosts a United Nations public forum and open lecture by Professor Hareesh Shah on why the global earthquake risk is increasing.

**Ukraine president Leonid Kuchma** presents his programme to parliament covering economic and constitutional reform, nuclear arms and Crimea. He will also ask the assembly to sanction budget cuts in line with an IMF plan.

**Sale rooms:** A Christie's in London auction of correspondence from the archives of Bowood House in Wiltshire is expected to raise £700,000 and includes letters to the 2nd Earl of Shelburne, who was British prime minister in the 1780s, from George III, George Washington and Benjamin Franklin. There are also 15 letters to the earl from the 18th century Scottish economist Adam Smith, who converted the earl to the doctrine of free trade, which are expected to fetch more than \$90,000.

**Football:** A host of unevenly matched UEFA cup qualifying games takes place today, including: Ireland v Leicestershire, and Russia v San Marino.

**Rugby:** Wales play Italy in Cardiff in a World Cup qualifying game.

**Holidays:** Brazil, Chile, Ecuador, Mexico, Uruguay, Venezuela (Columbus Day); Spain.

13

THURSDAY

## Bundesbank council meets

The Bundesbank policy-making central council meets with Sunday's federal election on its mind, and prices on its agenda. It will contemplate the potentially inflationary impact of the IG Metall engineering union's 1995 pay claim, due on Tuesday or Wednesday.

A demand for about 6 per cent is expected, but the key question is how hard the union will press its case. That depends on the election result. The return of the current government will mean a fight. But if the Social Democrats win a place in a new coalition, a peaceful and non-inflationary settlement can be virtually guaranteed.

**Singapore:** hosts a meeting to promote links between Europe and east Asia, organised by the Singapore Economic Development Board and the Geneva-based World Economic Forum. Key speakers include Malaysian leader Dr Mahathir Mohamad and President Fidel Ramos of the Philippines.

**Canadian economy:** Federal and provincial finance ministers meet in Toronto ahead of next week's economic statement by the federal finance minister Paul Martin. That will set the stage for consultations on his next budget, expected February 1995. Also on the agenda will be debt and deficits, and sales tax reform.

**FT Survey:** Bulgaria.

**Holidays:** Hong Kong, India (Bombay only).

14

FRIDAY

## General strike in Italy

Italian trade unions plan a general strike in protest at plans by Silvio Berlusconi's government to rein in spending and cut pension and health benefits as part of an austerity budget for 1995. The detail and timing of the action - originally planned as a four-hour stoppage - could well depend on the sector and region.

Individual unions and even factories have begun to stage strikes at short notice over the past fortnight, as the general protest coincides with more localised attempts to put pressure on employers during the annual round of wage negotiations.

**Stock standards:** Deadline for submissions on the London Stock Exchange's plans to replace the Unlisted Securities Market, which closes in 1996. Initial reaction to the Alternative Investment Market from advisers, brokers, bankers and small company representatives has been favourable.

**Portugal's government** presents its 1996 budget to parliament. Finance minister Eduardo Cangaço aims to cut inflation between 3.5 and 4.5 per cent, keep growth between 2.5 and 3.5 per cent and reduce the deficit from an original forecast of 6.5 per cent of GDP. Economic growth, which resumed in the second quarter after a recession in 1993, is now forecast at the lower end of the government's 1 to 2 per cent target.

**FT Survey:** International Standards.

15-16

WEEKEND

## German federal elections

Chancellor Helmut Kohl, hoping to win his fourth election in a row, may scrape home if the Free Democrats, his junior coalition partner, pick up last-minute support. Failing that, Kohl's CDU will probably form a grand coalition with the opposition SPD.

There are also state elections in Thuringia, Mecklenburg-Vorpommern and the Saarland, and municipal elections in North Rhine-Westphalia.

**Haiti's military rulers** are due to step down on Saturday.

**Botswana** holds a general election on Saturday.

**The Ulster Unionists,** Northern Ireland's biggest political party, begin their annual conference in Carrickfergus on Saturday. The party is the main moderate unionist voice in the province and its support for the UK-Irish peace initiative is vital if it is to have a chance of success.

**Finland** is expected to vote heavily in favour of European Union membership in its referendum on Sunday.

**Macedonian voters** The former Yugoslav republic of Macedonia holds a general election and votes for a president. No party is expected to win an outright majority in the 120-seat parliament, but President Kiro Gligorov should be re-elected comfortably.

Compiled by Patrick Siles and Sean Daly. Fax: (+44) (0)11 873 3194.

## ECONOMIC DIARY

## Statistics to be released this week

Day	Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	UK	Aug Consumer credit	£350m	£298m	
Oct 10	UK	Sep producer price index input	0.3%	0.4%	
	UK	Sep producer price index output	4.7%	3.3%	
	UK	Sep producer price index output	0.2%	0.3%	
	UK	Sep producer price index output	2.4%	2.3%	
	UK	Sep prod price output, ex food, tob	2.0%	2.1%	
Tue	US	Johnson Redbook, w/e Oct 8	-	2.3%	
Oct 11	Japan	Aug machine orders	0.2%	-5.8%	
	Japan	Aug machine orders	4.7%	2.8%	
	Canada	Aug motor vehicle sales	0.1%	-8.1%	
	Canada	Sep housing starts	156,000	149,000	
Wed	US	Sep Atlanta Federal index	-	27.4	
Oct 12	France	Sep consumer price index	0.2%	0.0%	
	France	Sep consumer price index	1.5%	1.7%	
	France	Jul current account	-	FF-0.4bn	
	UK	Sep retail price index	0.4%	0.5%	
	UK	Sep retail price index	2.4%	2.4%	
	UK	Sep retail price index ex mort int	2.2%	2.3%	
	UK	Sep unemployment	-20,000	-34,200	
	UK	Aug average earnings	3.75%	3.75%	
	UK	Aug unit wages 3M	-0.8%	-0.5%	
Thursday	US	Sep producer price index	0.1%	0.6%	
Oct 13	US	Sep prod price index, ex food	0.4%	0.4%	
	US	Initial claims, w/e Oct 3	\$320,000	\$317,000	
	US	State benefits, w/e Oct 1	-	\$2,806m	
	US	M2, w/e Oct 3	\$3.1bn	\$4.0bn	
	US	Sep monthly M2	\$0.7bn	\$-8.4bn	
	France	Gross domestic prod (2nd quarter)	1.0%	1.0%	
Friday	US	Sep retail sales	0.4%	0.8%	
Oct 14	US	Sep retail sales, ex auto	0.5%	0.7%	
	US	Sep consumer price index	0.2%	0.3%	
	US	Sep core price index, ex food	0.3%	0.3%	
	US	Sep industrial production	0.3%	0.7%	
	US	Sep capacity utilisation	84.8%	84.7%	
	US	Sep real earnings	-	-0.8%	
	US	Sep bank credit	-	5.1%	
	US	Sep company and industry loans	-	9.7%	
	Japan	Sep wholesale price index	-0.2%	0.2%	
	Japan	Sep wholesale price index	-1.3%	-1.2%	
	Canada	Sep consumer price index	0.2%	0.1%	
	Canada	Sep consumer price index	0.2%	0.2%	
	Canada	Sep cons price index, ex food	0.0%	-0.2%	
During the week...					
	Japan	Sep trade balance, custom ord	-	\$6.1bn	
	Germany	Sep wholesale price index	0.1%	0.2%	
	Germany	August retail sales - Pan-Germany	-1.0%	-0.0%	
	Germany	August retail sales - West	-1.0%	-0.0%	
	Germany	August final M3	-	9.8%	
	France	August M2	0.9%	1.2%	

\*month on month, \*\*year on year (seasonally adjusted) Statistics, courtesy MMS International.

## Other economic news

**Monday:** UK producer price figures for August showed signs that manufacturers were starting to pass on raw material price rises to their customers. September figures are expected to show a further increase in the annual rate of output price growth to 2.4 per cent.

**Wednesday:** As well as the September inflation figures, the UK will release a tally of September unemployment (expected to have dropped by 20,000) and August average earnings numbers. The latter have been stuck at 3.75 per cent for some time; any increase will frighten the gilt market.

**Thursday:** US producer price figures for September will give further clues to inflationary pressures in America. Nomura Research Institute expects a 0.2 per cent monthly rise in the headline figure.

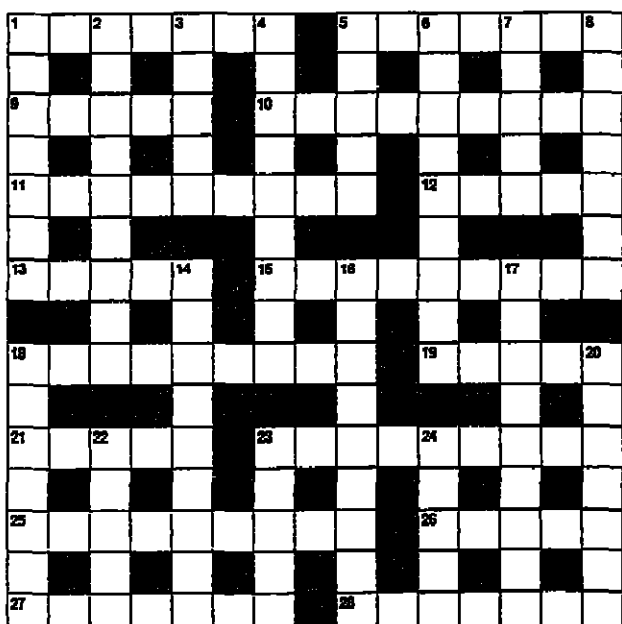
**Friday:** A big day for US economic statistics, with the consumer price index, retail sales and capacity utilisation for September all being published. Following last Friday's mixed employment report, analysts now expect this batch of data to determine whether the Federal Reserve decides to tighten policy further.

## ACROSS

- Crash Victoria, for example, encountered (7)
- Struggles to get maternity benefit in Ascol, say? (7)
- Wines for ramblers and climbers (5)
- See first at Beverly having girl adjusted? It is a plant! (5)
- One raises the issue at meal-times (4-5)
- This character a help, perhaps, in Hebrew (5)
- Channel to get rid of? (5)
- Reading for the night? (4)
- Dishonest sort of pleasure-seekers (9)
- Run off with the Spanish golf tournament, almost (5)
- River work without effort (5)
- Butterfly operating madly (6-3)
- Warmed up food from nothing? (9)
- Name given to half-back here in France? (5)
- Jabber in the clinic? (7)
- Longed for 1994 to end in some order (7)

## DOWN

- Power-vaulted without water (7)
- Like a gun without an aiming device, not seen (9)
- Orsino's amatory ailment? (5)
- Word-book shut... a ruse that is different? (9)
- Free Conservative humorist (5)
- Suggested butter-substitute for a royal piece? (9)
- Outlook for a crook? (5)
- Case used by some scholars at Chelsea (7)
- Charge reduced easily (5,4)
- Man of the match has hard lines farming (8)
- They show fairness betting on Merton's conversion (9)
- Cuts in musical parties (7)
- Former partner pretended to be betrayed (7)
- Bow freed, unknotted (5)
- Not allowed, note that is indecorous (5)
- 11th rail... one put up in Georgia (5)

MONDAY PRIZE CROSSWORD  
No.8,580 Set by DINMUTZ

A prize of a Pelikan New Classic 890 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday October 20, marked Monday Crossword 8,580 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 8EL. Solution on Monday October 24.

Name: \_\_\_\_\_  
Address: \_\_\_\_\_

## Winners 8,568

J.E. Owen, Dorridge, West Midlands  
P. Frank, Shipley, Yorkshire  
D. Johns, Loughborough, Leics  
R.H. Jones, Chorlton, Manchester  
B. Lallers, Comberton, Cambridgeshire  
Mrs R. Walsh, Le Mt Pelerin, Switzerland

## Solution 8,568

POTAGE SCRAPPED  
AEROCHROME  
RAUMATISM  
TAPAHUVE  
ITEM HERALDISTS  
CERRORA  
LEASER POINTER  
TENDER  
ARBORESCENT  
LCS  
SPECULATOR WALK  
PACT CABRO  
ENRICHING  
CRASH  
TRAINING LEDGER

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SINGAPORE AIRLINES

Of broking and jobbing the Pelikan's pen.  
See how sweetly he puts your word onto bond.

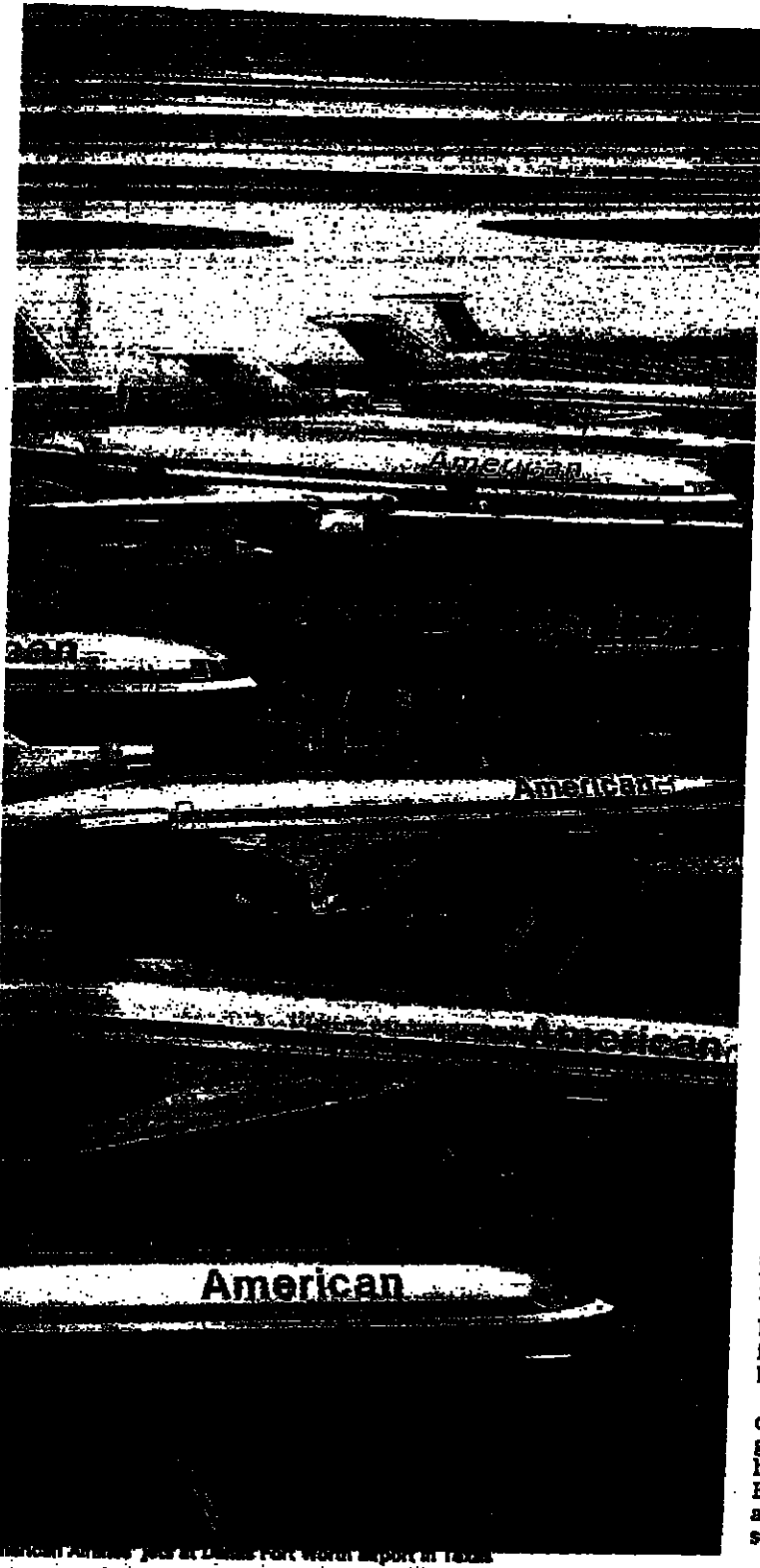
Pelikan

JOTTER PAD



# BUSINESS TRAVEL

Monday October 10 1994



**W**hen British business travellers step onto an aircraft, they leave behind hordes of envious friends and colleagues. Friends and colleagues of German business travellers, on the other hand, are more likely to pity than envy them.

These are some of the findings of a recent survey into the attitudes and experiences of business travellers in 10 European countries carried out in June by Visa International, the payments group. The differences between travellers from the 10 countries are the most striking features of the survey (see charts, pages 2, 3 and 16).

Sixty per cent of Dutch business travellers feel lonely when they travel; only 36 per cent of Spaniards do. Only 29 per cent of Dutch travellers enjoy staying at hotels, compared with 56 per cent of Greeks.

Yet this year has seen three large takeovers in the travel industry, all based on the idea that business travel is now global and that travel agents need to be able to service clients in the same way, whether they live in Caracas or Kuala Lumpur.

In March, Wagonlit of France announced it was combining its business travel interests with those of Carlson of the US to create a network with combined revenues of \$10.8bn, operating from 4,000 locations in 126 countries. The new company, Carlson Wagonlit Travel, said it wanted to "service the growing needs of the global business traveller".

Last month, American Express paid \$375m to buy the business travel operations of Thomas Cook outside the US and all the company's interests in the US.

Thomas Cook's reason for leaving the business travel industry had a familiar ring: it did not have sufficient international representation to cater for the global needs of the business traveller. In particular, Thomas Cook's US business had to be operated by a franchisee. This was because Thomas Cook is owned by Westdeutsche Landesbank and US banking legislation prevented it from operating an American travel business itself.

Both groups claim that the process of integrating two companies is going well. Travel industry insiders, however, believe the American Express/Thomas Cook grouping has a better chance of success than Carlson Wagonlit.

Their first reason is that American

While the industry is putting recession behind it, some countries are still languishing, writes Michael Skapinker

## Global trends, national traits

Express has taken over Thomas Cook rather than setting up a joint venture with it. There is no doubt about who will be in charge.

Although Thomas Cook is German-owned, it began in the UK over 150 years ago and shares an English-speaking background with American Express. The two companies have both competed and co-operated over the years. When American Express began producing traveller's cheques in 1891, Thomas Cook helped to ensure the new product's success by agreeing to accept it in its 150 offices throughout the world.

Carlson Wagonlit is a joint venture rather than a takeover, which means that two parties, rather than one, will have to agree its future strategy. The two companies are also markedly different from one another: Carlson is a privately-owned US group, while Wagonlit is part of Accor, the French hotel and catering concern.

Another takeover aimed at winning business from the international traveller was the acquisition last month by Forte, the UK hotel and restaurant group, of Meridien, the international hotel chain controlled by Air France.

The takeover should turn Forte from a largely British group into an international chain, ready to compete with the likes of Hilton International, Sheraton and Inter-Continental. Once again, one of Forte's main reasons for making the acquisition was that international travellers often use the same hotel chain wherever they are in the world.

But does this global traveller really exist? If the Visa International survey - which was carried out among 2,000 readers of Executive Travel and International Management magazines - reveals substantial differences among European travellers, there are surely even greater disparities when US and Asian travellers are considered, too. Even international hoteliers admit

that most of their customers are not global travellers. Mr Tommaso Zanotto, chief executive of Hilton International, says that at his company's eight properties in Germany, 80 per cent of the guests are German. At Hilton International's four hotels in Japan, between 85 per cent and 88 per cent of customers are Japanese.

Mr Gavin Simonds, joint managing director of Inter-Continental hotels, says that travel within regions, such as the Asia-Pacific area, is a more common feature of contemporary business travel than trips across the world.

**N**evertheless, Mr Simonds insists hotel chains with international brand names still have an important role. While only 10 per cent to 15 per cent of guests in a typical five-star hotel might have made an inter-continental journey to get there, a chain without an internationally recognised name would find it hard to win their custom.

Mr Simonds says: "There are various tiers in the travel market and the global travellers are at the top. We can address that market where others can't. But if you just address that market, you will fail. You have to look after the regional and the local market as well. If you forget those, you do so at your peril."

Mr Eric Brannan, senior European vice president of American Express business travel operations, insists, however, that his clients around the world do have similar needs. "They all get into a taxi, they all get onto an aeroplane, they all sleep in hotel beds," he says.

While this is certainly true, the Visa International survey shows that travellers disagree about what sort of hotels they should stay in. While 76 per cent of Greek respondents to the survey agreed that "business travellers deserve the luxuries of top class travel", only 44 per cent of Italians and 45 per cent of

French travellers agreed.

While 41 per cent of British travellers thought it was very important to have a prompt laundry service in a hotel, only 17 per cent of Spaniards regarded it as very important. Asked how important it was to have a television set in their hotel room, 33 per cent of Greeks thought it was very important, but only 23 per cent of Belgians.

It is true that the Visa International survey also showed areas of similarity between business travellers from the 10 European countries.

The vast majority, for example, believe that business travel will continue to be necessary. Over 90 per cent of British and Danish business travellers agreed with the proposition: "One-to-one meetings are invaluable, so business travel is here to stay". The country whose travellers expressed the most scepticism about this statement was Italy, but even there 72 per cent thought business travel was here to stay.

The business travel industry says there are certainly signs that their business is now beginning to put the North American and European recession behind it. Mr Zanotto says business travel in both the US and Canada has picked up since the end of last year. The UK is also improving, with business in London particularly strong.

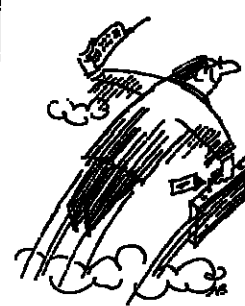
The south-east Asian economies are performing well, he says. Even Australia, which was particularly badly hit by the downturn, is improving, although Sydney still has too many hotel rooms.

Business travel is still languishing in some countries, however. They include Japan, Germany, France and the Benelux countries, he says.

The Visa International survey appears to show that although business travel might be reviving, business travellers have little taste for the luxuries of the 1980s or many of the perks that some hotel chains still seem intent on providing.

Few European business travellers see the need for a limousine service to pick them up from the airport. In all cases, only 10 per cent or fewer travellers thought this was a very important service. In Norway, no business traveller thought it was very important.

So too with fitness centres, regarded by upmarket hoteliers as an essential offering. The proportion of travellers who said fitness centres were very important to them did not exceed 23 per cent in any European country.



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Executive floors: why they make sense  
Hotels: the days of the draft discount are probably over Page 2

Travel agencies: not indispensable Page 4

Frequent flyers: free flight guide Page 5

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Editorial production  
Gabriel Bowman  
Graphics: Bob Hutchison

**THE AMERICAN EXPRESS**

*"I've just spent 10 nights in the wilderness and I don't have my hand in the me, can you help me get a shower and a real bed?"*

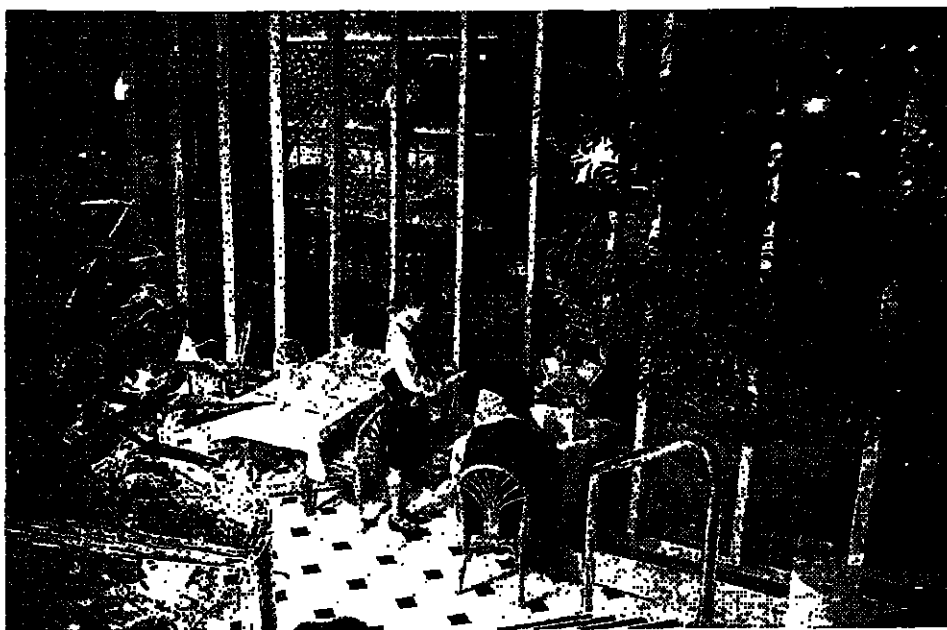
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## BUSINESS TRAVEL 2



The Terrace Garden restaurant at Le Meridien Hotel in Piccadilly, London



The Lygon Arms, Broadway, in the Cotswolds, combines luxury and comfort with technological equipment



The Hilton International Hotel in Park Lane, London

International occupancy rates seem to be rising, reports Gary Mead

## Hotel discount boom may be ending

The international travel business has been hard hit in the last few years. The 180 members of Iata, the International Air Transport Association, collectively lost \$4bn in 1993 - making a cumulative loss of \$15bn for the years 1990-93. It has been a tough time for airlines, and consequently a tough time for hoteliers, too.

However, business travellers have been able to pick up some bargain prices, as the rack rate - the officially published rate charged by hotels - has rarely matched the achieved rate - the rate actually obtained by the hotel from the guest.

Everyone's cloud is someone else's silver lining, and nowhere is that more true than in the recent doldrums blighting the hotel industry. Hotel occupancy rates throughout Europe have on average been hovering around the mid to low 60 per cent mark, at least until this year. The consequence for business - and other - travellers has been considerable scope for hard bargaining on price.

Hoteliers everywhere responded to the drop in demand by focusing on keeping their occupancy levels as high as possible. The motto was: build volume first, tackle prices later.

Thus, more and deeper concessionary rates have been available in all business hotels situated in the world's key cities. So much so, that travellers have perhaps grown accustomed to thinking that reduced rates are here to stay.



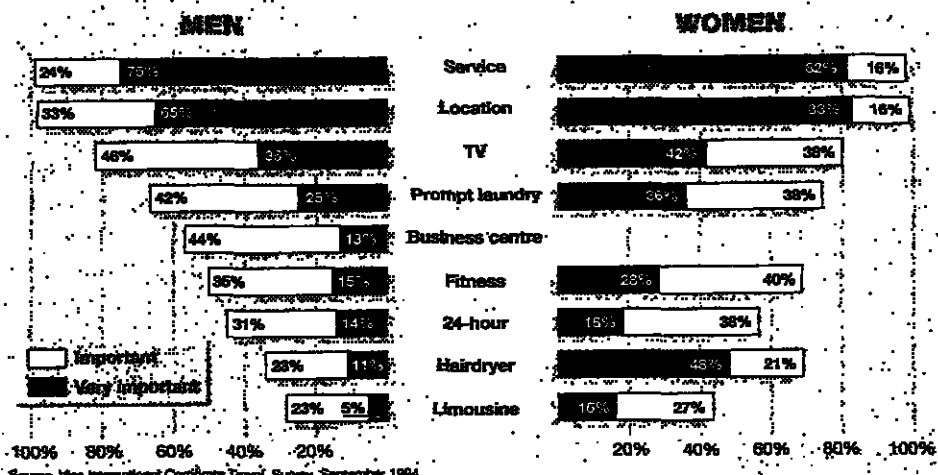
The Savoy Hotel, London: still maintaining its independence

But things are changing, quite patchily at the moment, but at a speed which might catch some travellers on the hop. According to Mr Andrew Duncan, a director with hotel and leisure consultants Pannell Kerr Forster Associates, the market last year began to improve, albeit in fits and starts. Thus, while in 1993 the average occupancy rate in

European hotels was 62.8 per cent - 0.5 percentage points lower than in 1992 - London's business hotels achieved 74 per cent, their best performance for several years.

Against that relative improvement in London, in continental Europe as a whole, the room revenue yield per available room in 1993 was DM130.88, a fall of 9 per cent on

### Factors considered important when choosing a hotel



1993's figures. In some cities, such as Vienna, where a relative over-supply of hotel rooms is set to continue into 1995, bargains are obviously still to be had.

Yet the broad picture suggests that the good times - for travellers at least - are probably over. Mr Michael Ball, marketing and sales director of Utell International, the world's largest hotel reservations company, dealing with 6,500 hotels across 147 countries, says: "That period of turmoil, of mismatch between supply and demand, is coming to an end."

"Two years ago there was heavy discounting in the hotel business. You could walk into virtually any hotel and it would have rooms to sell. But

occupancies everywhere have risen significantly in this year compared with last.

"The Farnborough Air Show used to be considered a bit of a test of the UK market. For the last few years, hotels have not filled during the show - this year they did."

In the UK, the recovery is particularly strong in London where at the moment average occupancy rates are around 90 per cent, against the low 60s in 1992 and 1993. With such rates, hotels can afford to be snuffy about discounting, and refuse

even to consider such a request from an individual traveller who walks in off the street.

Yet so battle-scarred is the hotel industry that few people are prepared to say that the worst is over; the last three years have, in Mr Ball's words, "been so horrendous for the hotel business" that it is premature to say the current recovery is permanent.

"All that can be said with confidence right now is that hotels in the UK, the US and Asia, have seen their average occupancy levels rise this year."

### Michael Skapinker on the advantages of staying in executive territory

## Floor them with your poise

The intriguing question about executive floors is why anyone chooses to stay in any other part of a five-star hotel.

It is not just that the services offered on executive floors are superior to those elsewhere in the hotel - though they are. It is that executive or business floors make sense financially: they usually cost \$20 to \$40 more a night than rooms in other parts of the hotel. But that includes a free breakfast and complimentary snacks and drinks.

Stay on an ordinary floor and you will pay for breakfast, as well as for snacks and drinks from the minibar in your room. Breakfast on its

own could cost you \$20 or more. You could well end up paying no more for your executive floor room than for accommodation elsewhere in the hotel.

Tell Mr Geoffrey Breeze, corporate vice president for marketing at Hilton International, that you do not understand why his guests stay anywhere other than on an executive floor and he replies: "We don't understand it either."

Mr Breeze says there might be some kind of psychological barrier which inhibits guests from staying on executive floors. It is more likely that hotel guests think that booking a room on an executive floor will not go down well with the cost-cutting managements in their companies.

Even though executive floors might not end up costing more, they do not provide the impression of austerity that many companies are seeking to enforce through their corporate travel policies.

Hilton International, which is owned by Ladbroke, the UK leisure and gaming group, has had executive floors since the 1970s. However, the idea of having separate floors for higher-paying guests really took off in Asia during the 1980s.

The idea was to cater for business travellers who were looking for that added bit of comfort and convenience. In most of the international hotel

chains with executive floors, guests who use them do not check in or out at the reception desk in the lobby.

Instead, they go straight up to the business floor and check in at a dedicated check-in desk. They usually eat their free breakfast in a dining room on the executive floor, separate from that used by other guests in the hotel.

Most executive floors have meeting rooms which guests can use free of any additional charge. There are facsimile machines, often in the rooms themselves. Many of the executive floors have libraries, with business books and trade directories. Most business floors offer newspapers and business magazines.

The rooms on the executive floors are furnished to a higher standard than in other parts of the hotel.

Executive floors have become so popular in Asia that the Inter-Continental resort hotel in Bali, Indonesia, has an entire executive wing, complete with its own swimming pool.

Executive floors have now spread to other parts of the world, too. Inter-Continental this year inaugurated its first executive floors in Europe; they can now be found in the Inter-Continental in Frankfurt and at the Churchill Inter-Continental in London. In the Middle East, the chain has business floors in several locations, including Egypt, Jordan and Saudi Arabia. Executive floors are common

in North America. And Inter-Continental now has business floors under construction in Latin America.

Of Hilton International's 132 hotels, 64 now have business floors. About 10 per cent of the chain's total room stock is located on executive floors.

The idea of the business floor, Mr Breeze says, is "to provide the atmosphere and attention to detail you might get in a private club but with

other aspects of executive floors have to be adapted for different markets.

In more libertarian countries, executive floors might offer free alcoholic drinks throughout the day. In countries where drinking is frowned on, alcohol might be available only in the evening.

In cities with a wide range of restaurants, Hilton International has found that most of the executive floor guests go out for dinner, but then expect to be offered late night drinks and coffee. In countries where the anti-tobacco lobby is particularly powerful, non-smoking executive floors are provided.

Whatever claims international hotel chains make for executive floors, they have undeniably introduced a class system into five-star establishments. Some guests get better treatment than others.

Unlike the economy class airline passengers who are forced to walk through first and business class on their way to their cramped, inferior seats, ordinary hotel guests do not have the superior privileges of executive floor customers shoved in their faces.

Nevertheless, if executive floor guests can have such additional services as complimentary breakfast and a library, why can these facilities not be extended to all guests staying in what is, after all, a top-class establishment?

Hoteliers argue that all they are doing is responding to market demand: they have identified a proportion of their customers who want the additional facilities and services. If this number grows, the number of executive floors will be increased.

What the hotel chains insist they will not do is follow the airlines, which routinely upgrade customers from economy to business class.

Requests for an upgrade from a room without a view to one with one will be considered. But a transfer to the executive floor will be politely refused, such hotels say. If guests want to stay on an executive floor, they will have to pay for it.

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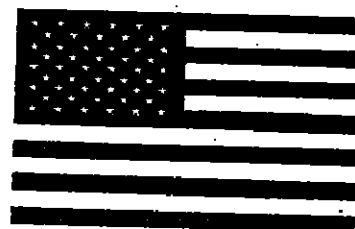
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## BUSINESS TRAVEL 4

Staying in a serviced apartment can ease the strain of working away from home, reports Kate Bevan

## Substitute for the 'impersonal' hotel

Wouldn't it be nice when you're away from home on business to be able to stay in a place where you could relax? Hotel rooms, even the most luxurious, can be soulless, and not everybody wants to pay for frills such as room service and a grand reception area. Regular travellers may prefer somewhere to relax with a light supper rather than eat alone in a formal hotel dining-room.

They may also want to hold a meeting without being overheard by all and sundry or having to use a hotel's expensive business centre.

The answer is a serviced apartment. These are something between a residential let and a grand but impersonal hotel room, and for the not-so-wealthy traveller, they also offer financial savings.

In general, serviced apartments have something of a home-from-home atmosphere, with the added advantage of daily maid service and a concierge. Many are also well-equipped for business needs and will either have a fax in the apartment itself or access via the concierge to fax machines, as well as additional telephone lines and satellite television.

Others offer services such as

babysitting for those who bring the family on trips, laundry, a limousine service and access to swimming pools, gyms and gardens. And of course all will have kitchens in case the traveller wants to cook rather than eat in a restaurant or risk the local take-away.

## Many apartments provide a fax, additional phones or satellite TV

Serviced apartments are a particularly good idea for single women travellers, who may find a hotel lonely and threatening. Single travellers of both genders may sometimes find themselves in poky hotel rooms next to the lift shaft, or with a view of the back of another building, while paying a high single supplement.

Women may feel uncomfortable eating alone, and regular travellers report being relegated to tiny tables behind

plants and next to kitchen doors, while a hotel bar can be an intimidating place. One regular traveller reports that, more than once, she has had to resist unwelcome male attentions in a hotel bar while staff have ignored her plight: for her, the privacy of a serviced apartment would be a blessing.

For longer trips some like to combine business with a family holiday, so an apartment with proper cooking facilities and a washing machine can make an ideal base.

Serviced apartments are also often used by leisure travellers for the same reasons - the convenience of a comfortable base together with cost savings. Mr Dev Anand, sales and marketing director of The Apartment Service, a London-based agency, says this type of traveller tends to be the "adventurous second- or third-time visitor" to a city.

Hotels sometimes have as many different rates as they have rooms. First, there is the published rate. Then, there is

the corporate rate. Then, there is the "It's a Sunday in January and anything is better than nothing" rate. And then, there's the rate that a cheeky traveller can convince the receptionist to offer.

Not so with serviced apartments, according to Mr Anand. As they offer a saving of up to

30 per cent on hotel rooms, they are an attractive alternative for a longer stay.

Mr Anand's service offers studio apartments sleeping two people in central London from about £275 a week. Set against a hotel rate, this starts to make good financial sense, and while there is always room for some

negotiation on prices, generally for a serviced apartment you can expect to pay the published rate.

The key to this is low overheads. You won't be tripping over chambermaids and bellhops, but at the same time you won't be paying for them. And while a few properties will have a restaurant or bar, most do not. Nor will they have an ornate lobby and armies of lift attendants. But equally you won't start chatting to someone in the bar and discover that he is paying considerably less than you for the same room because it was booked through a different travel agent or because his company has negotiated a better corporate rate.

Locations for serviced apartments are often as good as, if not better, than hotels. The Apartment Service has flats near Olympia and Earls Court in London and Mr Anand says that companies exhibiting for several days will often put a sales team up in an apartment.

For example, a three-bedroom apartment in a building in Kensington, handy for both exhibition centres, costs from £1,000 a week, and allows companies to keep a tighter rein on overall expenses.

Another more recent entrant to the market is Grosvenor House Apartments, within the

## Some large hotels, such as London's Grosvenor House, offer apartments

Grosvenor House hotel in central London.

These also offer a private entrance, reception and concierge - keeping the apartment-dwellers separate from the rush of hotel traffic, as well as twice-daily maid service, fresh linens every day and use of the hotel's fitness facilities. It also offers use of the hotel's other facilities such as room service and a business centre.

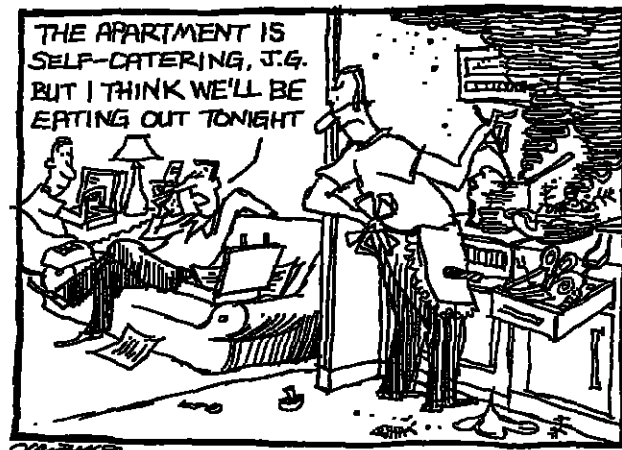
The concept comes from the US where all-suite hotels, as

they are known, began as mid-market accommodation and developed into the more upmarket type of property now being offered in Britain and in the rest of the world.

Keith Prowse, the ticket agency, acts as an agent for serviced apartments in Vienna, Brussels, Copenhagen and Helsinki, as well as for various locations in France, Spain, Italy and the Netherlands. In the UK, it is the agent for properties in London and provincial towns, including Bath, Birmingham and Edinburgh.

These are definitely a longer-term option: while you may be able to stay for just a couple of nights, most services will want you to stay for at least a week, and many use serviced apartments for much longer, up to several months in some cases. Mr Anand points out that this is a good stop-gap between the short-term hotel and a longer-term residential let. "Most estate agents won't deal in anything less than six months, but a hotel looks expensive for more than a couple of nights," he says.

It seems like the best of both worlds: a comfortable base with all the facilities of a hotel that you are likely to want without the frills - and without the high costs.



Travel agencies discover they are not indispensable, writes Michael Skapinker

## Book-your-own trend catches on

Some large US companies have begun to ask a question which should be giving business travel agents sleepless nights. The question is this: "Can't we book our own flights and hotel rooms?"

International hoteliers confirm that some large companies are approaching them directly rather than through their business travel agents. IBM, the US computer group, makes its own arrangements with large airlines and then simply gets its travel agent to implement them.

A company called Business Travel Contractors - which groups large US concerns such as General Motors, Merck and Black & Decker - plans to use its buying power to get better rates from the airlines. For their part, the airlines would not pay any agents' commission. They would also not give business travellers from the companies concerned any frequent flyer points.

Companies which decide to make their own arrangements are not the only problem that business travel agents face.

Those companies - the vast majority - which still rely on conventional agents for their needs are increasingly insisting that they want to be represented by the same organisation throughout the US, or throughout Europe, or even worldwide. Travel agents without worldwide representation are finding it difficult to win business from some of these multinational clients.

Another pressure on travel agents is the need to invest in information technology. Only the most advanced computer systems can provide travel agents with the information that they need to service customers on a worldwide basis.

The realisation that it did not have sufficient mass in crucial areas of the world was one of the main reasons why Thomas Cook, the UK-based

group, decided to withdraw from offering business travel services.

Thomas Cook is owned by Westdeutsche Landesbank. This meant that under US banking regulations it could not offer business travel

Agents are also under pressure to invest in information technology

services directly in the US. The Thomas Cook name in the US was controlled by a franchisee, Mr David Parsky. Thomas Cook also balked at the cost of investing in additional information technology.

Last month, Thomas Cook sold its business travel operations to American Express, which also acquired Mr Parsky's interests in the

US. American Express paid a total of \$375m to Thomas Cook and Mr Parsky, though it refused to reveal how the sum was divided between the two parties.

Thomas Cook said it would now concentrate on its remaining businesses: leisure travel, travellers' cheques and foreign exchange.

The American Express-Thomas Cook deal was the second large consolidation in the business travel sector this year. Last March, Carlson of the US and Wagonlit of France announced that they had decided to combine their business travel operations. The two groups said that Carlson's strong presence in the US would be combined with Wagonlit's extensive European interests.

Given the threat from several large corporations to take care of their own

business travel arrangements, some industry observers see the emergence of two large groups - American Express and Carlson Wagonlit - as a classic defensive move designed to achieve greater control over a declining market.

Both groups strongly contest this argument and say that if they are having sleepless nights, it is only through excitement at the opportunities that lie ahead.

Mr Eric Brannan, senior European vice-president of American Express business travel operations, says talk of companies making their own travel arrangements is overblown. The number of companies which are large and experienced enough to strike their own deals with airlines and hotels is small.

Even if a company were to use its buying power to negotiate a group discount with a particular airline, it would find it difficult to discover whether it could have negotiated an even cheaper deal from a rival carrier.

Mr Brannan says: "No airline is going to tell you that another airline can sell you

tickets more cheaply. Only a travel agent can do that." He argues that the deregulation of the airline industry in the US has made it even more difficult for companies to discover what the best deals are. Future airline deregulation in Europe will make finding the cheapest fares an even more complex task.

He adds that for companies to make their travel arrangements themselves would run counter to one of the most significant business trends of the past decade: companies contracting out peripheral services to concentrate on their core businesses.

Mr Colin Rainbow, commercial director of Carlson Wagonlit, says his group's enlarged global representation is already producing new business. He says that clients of Wagonlit in Europe have now asked the merged business travel group to handle their arrangements in the US.

Similarly, Carlson clients in the US have asked the group to make their business travel arrangements in Europe. Mr Brannan admits that

The Top Ten Growth Business Destinations	
Destination	Growth (%)
Riga	341
St Petersburg	291
Faro	204
Maastricht	156
Bombay	139
Minneapolis	117
Ottawa	89
Tel Aviv	82
Kuala Lumpur	76
Malaga	73

Source: American Express

Top Ten Business Destinations	
1994 ranking	1993 ranking
1 Paris	1
2 Brussels	2
3 Frankfurt	4
4 Amsterdam	3
5 New York	5
6 Dublin	6
7 Milan	7
8 Munich	13
9 Düsseldorf	9
10 Madrid	11

Source: American Express

companies are not finding it easy to appoint a single business travel agent worldwide. Many have done it throughout the US but companies are only now

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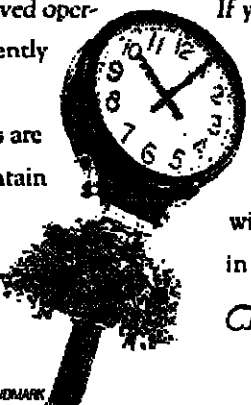
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Singapore Airlines: individual schemes are being forced to compare their incentives with those of rivals

Daniel Green says frequent flyer programmes have reached maturity

## Top of the waiting list

The business of frequent flyer programmes (FFPs) has in the past year moved from adolescence to maturity. The vast majority of business travellers in Europe belong to at least one scheme. To keep them, individual schemes are being forced to compare their own incentives with their rivals' and improve them where necessary.

A more subtle change is taking place, too. Passengers are recognising that earning the right to do yet more air travel in their spare time is not necessarily the best reason for joining such a programme. Other benefits such as priority in the waiting list on overbooked flights is more important. And redeeming points for leisure flights seems to be less important than it was. Airlines are heeding these signals as they prepare the next round of incentives for their scheme members.

Most FFPs work by offering scheme members "points" or "miles" in rough proportion to the distance travelled and

multiplied by a factor relating to the class of travel. These points can be exchanged for free flights, seat upgrades or other benefits.

After some scares in the 1980s when the schemes were new - the now defunct Pan Am was reportedly giving away so many miles that some aircraft flew without a single fare-paying passenger on board - airlines are careful not to give away too much.

They can do this because on average, the world's aircraft fly about two-thirds full. Airlines are happy to use the empty seats as a marketing tool. They use computer forecasts of demand to allocate what they believe will be unsold seats to the FFP.

The effect, as anyone who has tried to cash in points will have found out, is that it is easy to get a free ticket with your frequent flyer points on the 0650 from London to Amsterdam on a Saturday but not on a Monday.

And to make sure that passengers do not accumulate

so many points as to risk a deluge of point redemptions on a holiday weekend later in the decade, European FFPs have time limits. Members who fail to cash in their points within two or three years lose them.

In the case of British Airways, leisure travellers get a poor deal: they do not earn points unless they have paid full price for their tickets. US carriers offer points for almost all trips and BA has been forced to do the same for its US-based members.

In spite of these limitations, FFPs are a huge success in Europe. Some 86 per cent of European business travellers belong to a frequent flyer scheme, up from 82 per cent last year, according to market research to be published later this year by the Official Airlines Guide.

Among the busiest travellers - those making more than 20 trips a year - an astonishing 97 per cent are members of at least one scheme.

The research found virtually the same level of membership

in the UK, France and Germany. But though in each case, the national airline's scheme was easily the most popular, there were wide differences in different countries between favourite FFPs.

In the UK, 52 per cent of travellers said BA's FFP was the best, compared with 47 per cent in Germany who picked Lufthansa, while in France only 34 per cent said Air France's best rival.

This may have been because of the success of competitor airlines in winning business from Air France. Popular among French travellers were schemes offered by US carriers Delta and TWA, neither of which figured in responses from UK travellers.

Air France has recognised that there have been problems with its FFP and earlier this year revamped it. Unlike BA, for example, cut-price economy fares qualify for points, and two free tickets can be had for only 1½ times the points required for one ticket.



Virgin Atlantic aircraft on the runway: the airline offers frequent flyers free trips to Paris

### The frequent flyer's free flight guide

Transatlantic business class returns to US east coast for one free London-Paris or London-Frankfurt return flight		
Carrier	Number	Comments
Air France	2	Any UK airport to any in France. Three trips earn two tickets
American	2	Two economy trips would earn enough points
British Airways	1	Transatlantic flights attract disproportionately big rewards. Three Tokyo trips are needed for the same number of points as one New York trip
Delta	5	Europe to Atlanta, Georgia, or Cincinnati, Ohio only
Lufthansa	2	Free trip to anywhere in Lufthansa's network in central/northern Europe, plus Italy and Spain
Swissair/Austrian	2	Free trip from London to any central European destination on the network
United Airlines	2	One west coast trip would earn enough points
Virgin	1	Partners are British Midland and SAS. New members receive a first flight bonus worth two more return trips to Paris

Source: Financial Times

Carriers still vary somewhat in the levels of reward that they offer. Between BA, Lufthansa, Air France, American Airlines and Delta, for example, it takes between one and five business class trips between Europe and the east coast of the US to earn enough points for one free economy flight between London and either Frankfurt or Paris.

The best deal comes from BA because it skews its points allocations in favour of north American routes. You may feel that after business class flights to Sydney, Australia, and back, you deserve all the points you

get. In fact, a round trip to Boston would have earned you three times as many.

There are interesting differences between what airlines count as a European flight. It takes six London to Tel Aviv business class flights on BA to earn one London-Paris return, but only two trips via Paris on Air France.

For short-haul rewards in Europe, you may be best off with Lufthansa or Swissair, whose minimum number of points can be exchanged for free flights that will take you to most countries in western Europe.

It is little wonder then, that four out of five European business travellers belong to more than one FFP. The average number of memberships is about three.

A glance at the main reasons for joining an FFP soon explains why multiple membership is the logical thing to do. While 54 per cent of travellers rate free flights as "very important", 73 per cent said their top priority was to be at the head of the waiting list for overbooked flights.

Too many regular travellers know both the pain of being denied boarding after a hard

day's work and that the decision about who flies and who does not is taken on the ground a few minutes before departure. Any lever to improve the chances of getting aboard is to be grasped.

Naturally, this has led quickly to a series of refinements as FFPs are used to retain the loyalty of the airline's best customers.

Lufthansa's frequent flyers earn automatic upgrades to bigger rooms in several hotel chains, including the Hilton, Sheraton and Regent. Holders of BA's gold card are guaranteed a seat on most BA flights if the reservation is made more than 24 hours in advance. The unsaid corollary is that those who fail to meet these specifications risk being bounced off the flight if it is full.

There are new ways of redeeming points, too. The US is in the advance guard here with American Airlines FFP points exchangeable for flowers or restaurant meals.

For the airlines' best customers, some benefits are as attractive as free flights and new ways of earning points are an agreeable way to top up their scores. FFP operators are therefore likely to put an increasing part of their creative energies into their programmes.

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## BUSINESS TRAVEL 6

Separate lounges for commercially important passengers are now common, reports Charles Jennings

## From the lavish to the cramped

Business and first class airport lounges have come on rapidly in the past 20 years.

In the 1970s, separate seating and relaxation areas, owned and run by the airlines for the benefit of their CIPs (commercially important passengers, as business and first-class travellers are known) were a rarity. Today, any airline with pretensions to status will have a scattering of lounges across the globe, dedicated to its most valued customers.

American Airlines - which claims to have opened the first exclusive CIP lounge at La Guardia, New York, in 1939 - now operates 42 such lounges worldwide. United Airlines has 33. Heathrow Airport is home to some 30 CIP departure lounges (seven of them run by British Airways), with more expected.

Increasingly, the world's airlines find themselves looking after their business passengers with the same assiduity on the ground as they do in the air.

In general, CIP lounges are distinguished from the free-for-all seating arrangements in the rest of the terminal by the same recurring pattern of attributes: CIP lounges are open only to those flying first or business class with the airlines which run them; they offer free drinks and snacks; they provide enough decent seating to allow passengers to sit and

stretch out; they offer TV, newspapers and washrooms; they will have numerous telephones; and there will be an area sectioned off for the business traveller to work in, with desks, a photocopier, a fax machine and the odd computer modem.

Long-haul operators, such as Qantas, United Airlines and British Airways, have started adding to this list by installing shower facilities at their more important destinations. There are even occasional unpredictable extras, such as the vibromassage armchairs offered by

**Passengers are looked after with assiduity on the ground and in the air**

American Airlines, or the automatic shoe-cleaners provided by Japan Airlines. As you might expect, CIP lounges reflect the service provided by the airlines themselves, with all of them, at the very least, adequate.

But not all airports are equal, and not all airline facilities

are the same at either end of the journey. A lounge at one end of the flight might be large and lavishly stocked, while its counterpart at the other end might be a quarter of the size and a good deal less impressive. Lufthansa, for instance, has the largest lounge complex at Frankfurt Airport, comprising four separate facilities for first and business travellers, which together can comfortably handle more than 3,000 passengers a day.

At Heathrow, on the other hand, Lufthansa has to share a rather austere 80-seater room with Air France, which, on the admission of one of the staff, can become a little crowded late on Friday afternoons.

Worse still, Alitalia, TAP, Olympic and Swissair are all crammed into one small, unprepossessing room along a far corridor of Terminal 2, far removed from the grandeur of BA's establishment. On this basis, one should learn to expect a lavish CIP lounge at the home airport of any airline, but to take whatever is provided at the destination end, without undue preconceptions.



On top of this is the airline's judgment of what the CIP lounge is really there for. How much of the facility should be given over to work and how much to relaxation? And how, given the restraints existing at many airports, can it make some kind of positive statement about the airline which owns it?

The Americans, not unsurprisingly, tend to place the emphasis on the work side of things. American Airlines' gargantuan facility at Chicago's

O'Hare Airport covers 14,000 sq ft, boasts 19 bookable conference rooms, offers paper-shredding equipment and, significantly, a bar which serves free coffee, tea and iced water, but liquor only at a price. The furnishings might be described as comfortable without being plush; and as a temporary office for the determined businessman, it is hard to fault.

The Japanese, similarly, organise their lounges at Narita, Tokyo, as smartly-furnished waiting rooms rather

than as private clubs. The big advantage of their three CIP facilities (two executive class, one first or Sakura class) is that together they occupy more space than that of any other airline. Given the limitations on space at Tokyo's principal airport, this is a real boon, despite their somewhat unengaging atmosphere, with their ranks of armchairs, and their furtive "Relax Corners".

British Airways tries to address the problem of business efficiency versus the need for a welcoming environment by making its lounges more like the interior of a Forté hotel foyer. BA's lounge spaces - especially the agglomeration at Heathrow's Terminal 4 - are strong on warm woods, low lighting and friendly wool fabrics. The self-service drinks and food counters are tempting, while the workstations are writing-desks with an extra phone on top, as opposed to the purposeful cubicles offered by American, or their rivals, United Airlines. It is a typically English compromise, in which the world of work is kept at arm's length.

Heathrow is, in fact, unusually well-stocked with CIP lounges - reflecting its position as a hub international airport and a crucial staging-post: one in three of Heathrow's passengers connects between flights. And it is because of this that some airlines are branching out into new types of facility for business and first class travellers.

British Airways has recently spent \$1.6m on a new arrivals lounge at Terminal 4, catering for passengers who have just come off an overnight transatlantic flight and who need to

**Rather than be utilitarian, the Clubhouse aims to make travel fun**

spruce themselves up at the start of the day. Instead of comfortable chairs and free drinks, the CIPs are offered 28 shower rooms, a clothes pressing service and a continental breakfast.

American Airways has followed suit, with the difference that its arrivals lounge at

Heathrow is at Terminal 3 and contains nine showers. United Airlines will soon be offering competition in this line, but it may have to strike a deal with a nearby hotel if it is unable to find the space at Terminal 3.

Elsewhere at Terminal 3, Virgin Atlantic is trying something altogether different. While its New York lounge is relatively conventional in approach, the Virgin Clubhouse at Heathrow attempts to subvert the notion of the CIP lounge as a comfy but uninspiring hinterland between work and relaxation, between waiting and doing. The Clubhouse aims to make travel fun for the business executive. To this end, it boasts a music room, a computer games arcade, a three-tonne model of a galloon, a massage salon, a hairdresser, a well-stocked bar and a model railway.

It cost over £1m to fit the place out, and despite a token fax and photocopier, its whole philosophy runs counter to the essentially utilitarian values of other airlines' facilities. And as a tool for building loyalty to what is, after all, an extremely small player in international aviation, it works brilliantly.

Realistically, it is hard to imagine Virgin's rivals taking a leaf out of the Clubhouse book. But it shows that the airport lounge can be more than a mere waiting-room, if enough people want it that way.

Some tips on how to deal with bribery and extortion when abroad

## Victories in war against fraud

The police officer was adamant. About a mile from Benito Juárez airport in Mexico City my taxi had run through a red light.

The cab driver shrugged his shoulders and suggested I pay *la mordida* - the bite - a \$25 fine for an offence he had not committed.

In Mexico and other developing countries business travellers are easy prey for police, who impose such fines to augment salaries, which rarely keep pace with inflation.

Six months and several thousand miles later, it was the same story at Sheremetyevov Two, Moscow's international airport. Here it is not *la mordida* but *spekulyatsia* - profiteering of the crudest variety.

The first bribe was paid within 10 yards of the terminal: a backhand to the policeman guarding the taxi rank where my chauffeur - a medic seeking hard currency - was touting for business from those passengers unwilling to

pay the official taxi rate of up to \$60.

The Guild of Business Travel Agents, whose 40 members handle the travel arrangements for 86 of the companies in the FTSE-100, advises passengers to avoid such problems by arranging transfers before departure.

"The best safeguard is to book through reputable agencies based outside countries where corruption is prevalent," says Mr David Reynolds, chief executive of the London-based industry body.

However, Mr Reynolds warns that in many cases the corruption takes place before the traveller even reaches his destination.

"One of the biggest problems is airline fraud in which stolen tickets are purchased innocently but turn out to be invalid."

His claim is backed by the International Air Transport Association. Revenue lost through ticket fraud totalled \$189m last year, while Iata

estimates that a further \$200m in bogus sales goes unreported.

The most common fraud is perpetrated through the so-called "bust out", in which a seemingly reputable travel agency is established, often with counterfeit bank references, and begins offering business travellers heavily discounted fares.

In typical cases, the backers disappear with the ticket stock - essentially thousands of blank cheques to be filled out and sold on to unsuspecting travellers, mainly through unlicensed bucket shops.

Although ticket barcoding has reduced the ease with which fraudsters can operate, Iata warns that increasingly sophisticated computer crime

is presenting a fresh challenge to the industry.

Determined to counter that threat, large carriers such as British Airways have set up their own fraud protection units and constantly update on-line blacklists of stolen tickets.

That is small consolation for the business traveller whose company, anxious to curb costs, opted for a cheap ticket not worth the paper it is printed on.

"If the fare seems the bargain of a lifetime, it's likely the purchaser is the last in line of a fraud," says Iata, which advises companies to use agents approved under its accreditation programme.

Aware that recession has forced businesses to review

travel budgets, the Guild of Business Travel Agents has set up its own low fare unit designed to protect its clients against corrupt ticket sales.

In some parts of the world, however, a valid ticket home is the least of their problems - a fact recognised by law enforcement officials in Hong Kong, the world's eighth largest trading economy.

The colony's Independent Commission Against Corruption received 2,252 corruption reports in the first eight months of this year, a 14 per cent increase on the same period in 1993.

The rise followed an opinion poll showing that 55.7 per cent of respondents regarded business sector corruption as "very prevalent", compared

with 41.1 per cent in the previous year.

In a bid to solve the problem, Hong Kong's six main chambers of commerce have joined forces to draw up a new code of business ethics.

The ICAC also hopes to ease executives' fears by drawing up new guidelines on corruption, which are expected to be published next year. Even so, many travel managers believe corruption will increase as cross-border trade with China gathers pace.

The dilemma for executives travelling to destinations with poor corruption records is whether to believe the advice of major agencies which have an obvious self-interest in recommending pre-booked and

pre-paid arrangements.

In general, such agencies flourish not on the back of corruption fears but by offering more efficient and secure services. Those unwilling to make advance bookings could rely alternatively on local business contacts to make their travel arrangements for them, especially in countries where tickets can only be purchased with hard currency.

Local company representatives are less obvious targets for fraud and can bypass many of the hurdles in negotiating rates for services such as office equipment rental or car hire.

A number of travel agents are also expanding their range of services in some developing countries. For example, Thomas Cook, whose international business travel agency operations were acquired recently by American Express, has launched Moscow's first travel management centre which offers advice on access to business facilities among

other services.

The common message from such agencies is that travellers should register at their embassy or local consulates during prolonged stays; carry copies of passports and travel documents; carry local currency in only small denominations; and, where possible, rely on an approved guide or local company official to smooth the way through business negotiations.

It is impossible to be immunised against corruption, and no amount of forward planning can avoid it altogether. But in curbing the spread of this financial disease, booking through reputable travel organisations can certainly reduce the risks.

"Corruption oils the wheels in many developing countries," warns one travel industry executive. "We have not won the war against fraud, but at least we have scored some victories in our campaign."

Tim Burt

Hotel Okura Tokyo

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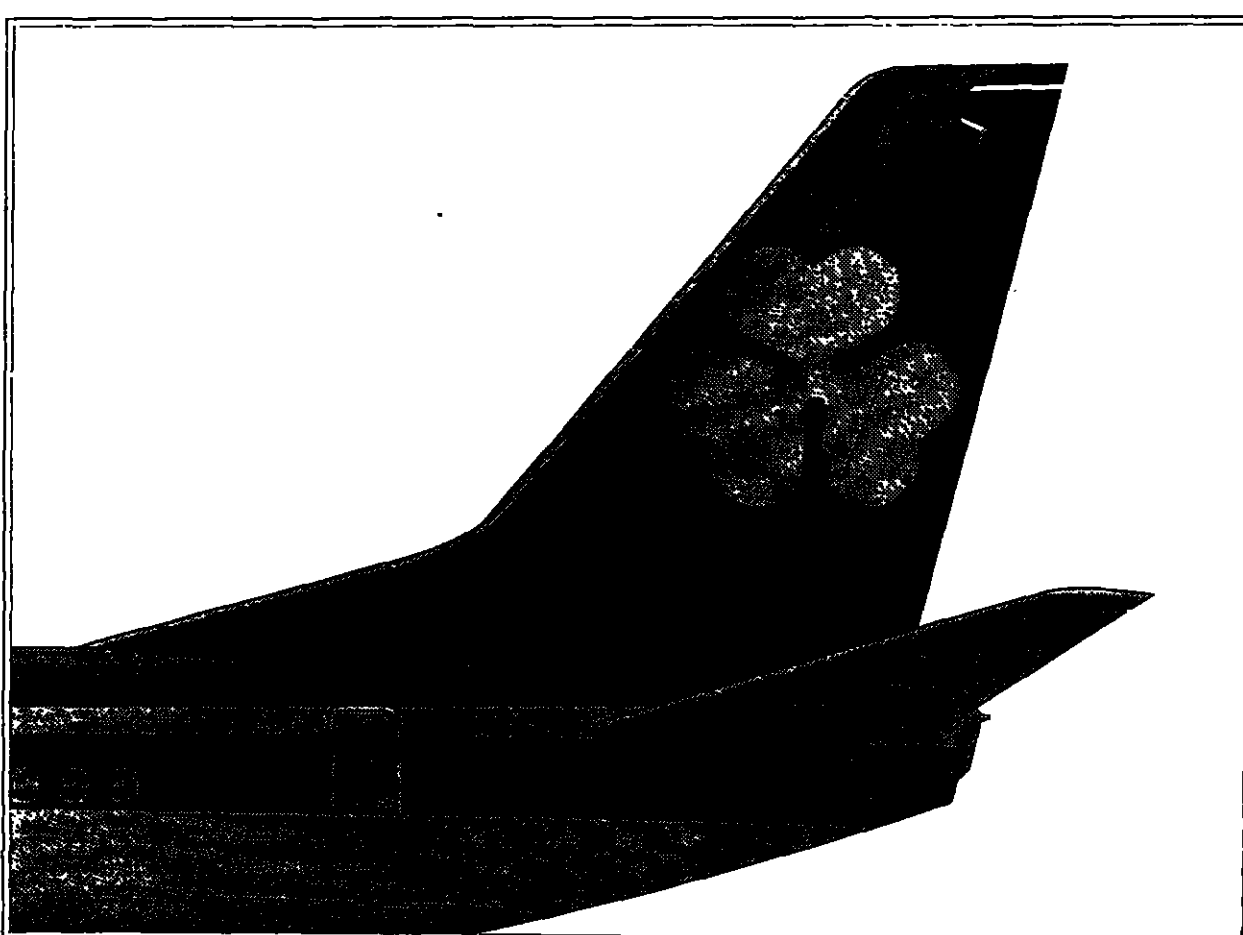
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## BUSINESS TRAVEL 8

Christine Buckley offers advice on what may be your first encounter in a foreign land

## In Tokyo, do not open the taxi door

The chances are that your first encounter in a foreign land will be with a taxi driver.

The taxi ride from an airport is an important introduction to a country. Your impressions start here.

The buzz of New York can begin with a chatty and helpful ex-boxer from Brooklyn, who wants to know all about London. But then, as he gathers that you're a complete newcomer, he may charge over the odds fourfold for a journey in a car which he has falsely assured you is a *bona fide* yellow cab in all but colour.

Southern Turkey can seem even more laid back than one might expect if your driver just can't be bothered with basic traffic regulations such as red lights and has a similar disregard for sobriety.

As one might expect, in standard, service and customs, taxis are as varied as the cities that they operate in. It is always a good idea to stick with the main licensed firm. While all independent

take you just 504 yards. After that, it is 20p for the next 232 yards or 57 seconds and thereafter it is 20p for each 180 yards. Additional passengers make for a 30p charge.

In some cities, taxi fares seem so high they come close to taking flight. Rates in Zurich begin at a start-up charge of SFr6 (£3) and proceed at SFr2.90 for each kilometre and an additional SFr1 each minute of waiting. Zurich cabs cannot be hailed in the street; they are picked up at ranks or by telephone when they, virtually without fail, will respond within 10 minutes.

In Tokyo, one will need both a reasonable amount of cash - although that is not a surprise for a Japanese city - and also a map. Tokyo's taxi drivers are not the world's best navigators and it is advisable for passengers to know how to reach their destinations. The drivers are, however, polite and will always open the door for you via an in-car lever. In fact, it is bad manners for the passenger to open the door.

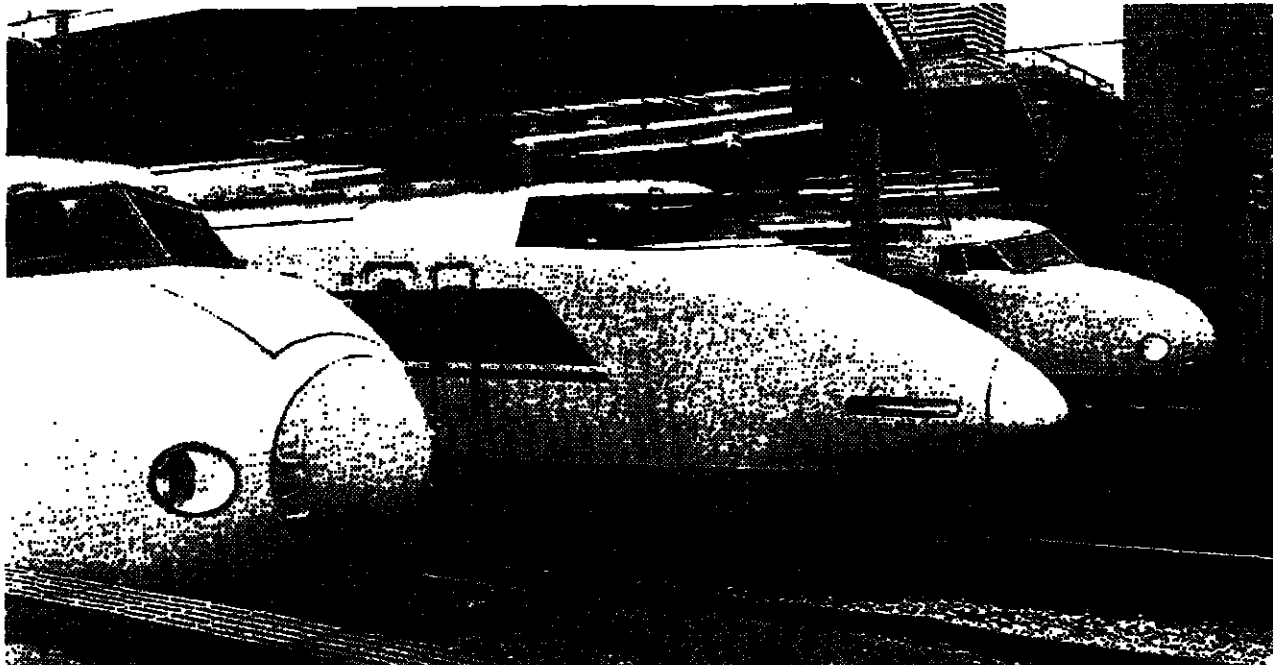
The minimum fare is ¥800 (£3.87); an average 20-minute journey will clock up a ¥1,500-2,000 charge.

Brussels also claims a place in the expensive stakes, although service is included, with tips incorporated in the meter charging. A passenger parts with BFr6 (£1.88) for just getting in the cab and then BFr38 for each kilometre after that. Again hailing is not generally practised but ranks are ample.

If style is what you seek in a taxi then, true to form, Paris is the place to find it. Mercedes and top-of-the-range Citroëns are *de rigueur*. The daytime kilometre charge is FF3.23 (£0.50) but in very slow traffic or when the taxi is waiting, the charge is based on FF120 per hour. Try to have the right change or you are likely to experience Gallic irritability.

Almost as symbolic of the taxi as the London's black cab is New York's yellow one. The streets of Manhattan are awash with yellow and the air is full of horn-blowing. New York cabs are fast and frenetic. Not for nothing do they often have handles on the ceiling above the back seat - you may need to cling on.

The grid street pattern of



A new-style Shinkansen train (centre) flanked by older models at Tokyo railway station



An aerial view of Sydney, showing the Opera House

New York is easy to navigate but often taxi drivers are new to the city and can need good directions. Yellow cabs are cheap - \$1.50 (£1) flat rate and 25 cents for each half mile

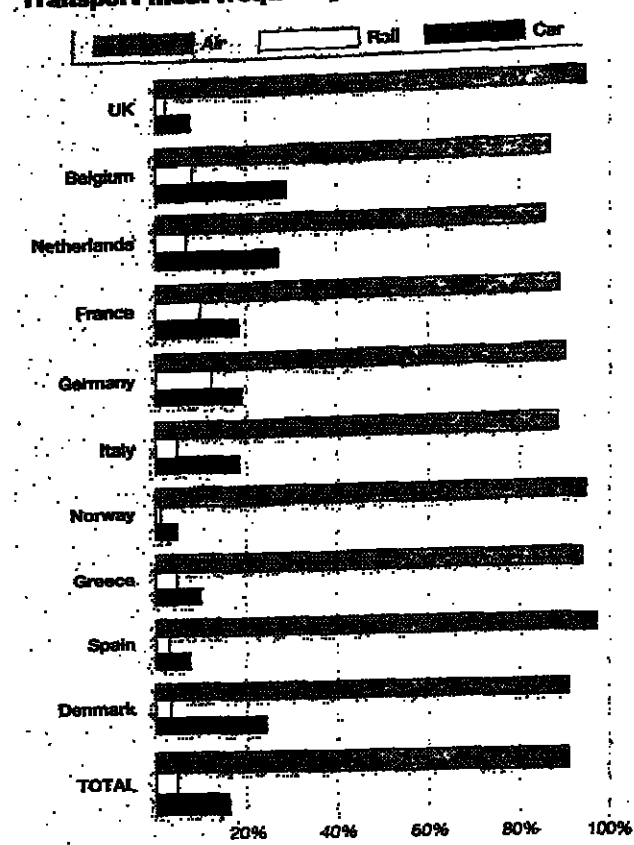
thereafter.

You cannot get a cab at Toronto airport - not officially anyway. As the airport is in the neighbouring city of Mississauga, Toronto taxis are not

allowed to pick up there. Apart from the airport, the only transport is provided by very expensive limousines which charge C\$66 (£17) for the trip downtown.

But a trick to avoid this is to go to the departures level and catch a cab that is depositing travellers. It is likely to take you, but you have to be quick as the cabs are frightened of

Transport most frequently used for business trips



Source: Vias International Corporate Travel Survey, September 1994

cient and in reasonable supply. It will cost you DM3.40 (£1.40) to get in the car; the first kilometre is charged at DM4 and then it becomes cheaper. An average 48km journey would be charged at an average DM1.80 a kilometre. You can rely on the driver being fit. As public service employees, they are required to have health certificates.

Taking a taxi in Sydney is a laid-back affair. Invariably, you will sit next to the driver and the general approach of cab companies is largely uncommercial. The drivers are also prone to do something that would severely raise the blood pressure of most taxi drivers - that is rounding down the fare if the passenger has not got the correct change.

The cost is moderate with fares made up of a A\$1.85 (87p) hiring charge; mileage of 97 cents per kilometre; and waiting time of A\$27.90 per hour.

One should not misread the unceremonious outward appearance of Sydney taxis for casualness. Among other things, the New South Wales Taxi Council is very proud of the fact that it sold its training programme to London. With contributions from FT bureaux.

Paul Taylor looks at a bewildering array of gadgets from laptops to modems

## Before the high-tech shoulder bag bursts

The business traveller in the 1990s faces a bewildering array of electronic wizardry designed to boost personal productivity, collect, store or transmit information or simply to entertain.

Thanks to advances in technology, particularly silicon integration, many travelling business executives now carry a bulging shoulder-bag of high-tech gadgets, including a notebook PC, fax-modem and perhaps even a digital cellular telephone.

Add to this a pocket-sized electronic diary/organiser which will, if required, interface with the portable PC, a compact 35mm zoom camera and portable mini-disc or CD player for entertainment and the collection of electronic gadgetry is almost complete.

The popularity of light-weight "notebook" portable computers in particular highlights the strides made by technology in recent years. It is less than 15 years since the first desktop computers began arriving in offices, and yet

today PC manufacturers can pack most, if not all, of the processing power of an early super-computer into an A4-size package weighing around six pounds.

Low-power chips, together with improvements in screen and battery technology, have enabled engineers to build machines with brighter colour displays and longer battery lives. These improvements, coupled with tumbling prices, have turned the notebook computer into the fastest-growing segment of the world computer market.

Last year in Europe alone, end-users spent \$3.6bn on portable computers - mostly notebook or even smaller sub-notebook machines - according to Dataquest, the market

research organisation. Unit sales of notebook PCs alone grew by over 18 per cent to 1.33m with four vendors - Compaq, Toshiba, IBM and Apple - accounting for more than half the total market.

Two years ago, a typical mono notebook with an Intel 386 processor, 2Mb of Ram and a 60Mb hard disk cost about £2,000 in the UK. Now, a much more powerful machine based on an Intel 486 processor with 4Mb of Ram, a 210Mb hard disk, PCMCIA (Personal Computer Memory Card International Association) card slots for add-on peripherals, a dual-scan colour screen and a trackball for mouse-style pointing under Microsoft Windows can be bought for under £1,500.

Some manufacturers have developed specific machines for niche applications. For example, Toshiba offers a machine which includes a CD-Rom drive, stereo speakers, detachable keyboard and other facilities to make multimedia presentations while travelling. For those who require paper print-outs but do not want to lug around a separate printer, Canon has developed machines which incorporate a bubble jet printer.

For serious portable computer users a modem (modulator-demodulator) is another essential piece of kit to be packed alongside the spare battery pack, the power adapter and connecting cables. A modem enables a computer to exchange digital data over an older-style analogue telephone line with another machine, typically a head-office computer which is also equipped with a modem.

A modem link typically enables a travelling executive, salesman or engineer to exchange data such as sales or product information or customer details with the office network, send electronic mail or capture information from a commercial database. Using a modem link, a traveller can even look up airline flight details and make or change reservations on one of the airline computer databases.

Modems come in a variety of forms and are getting faster, smarter and cheaper. Some, based usually on proprietary designs, fit inside the machine but external devices - including some which fit into PCMCIA card slots - usually offer faster transmission



speeds together with sophisticated data compression and error correction features.

The current business standard is for data transmission at 14,400bps (also known as V32bis) coupled with V42 error correction and V42bis data compression which allow even higher transmission

Using a modem link, a traveller can make flight reservations on a computer database

speeds. Most also provide the facility to send and receive faxes direct from the screen.

Currently most portable modems, including PCMCIA card modems, are designed to be plugged into a telephone wall telephone socket. However, some niche products are available to cope with special situations - for example, the public call box or the hotel telephone which does not nuping from the wall.

other advantages for business travellers. GSM networks offer more secure and clearer voice communications.

Perhaps even more importantly, because they are based on a common standard, once so-called "roaming agreements" are signed between network operators, travellers will be able to use the same telephone anywhere where there is a GSM system. Potentially, that means that for the first time it will be possible to drive from one end of Europe using the same pocket-sized handset - and be available on the same telephone number.

Although the uptake of these new GSM services has been relatively slow in the UK, where the analogue networks are well-established and provide superior coverage, elsewhere in Europe, especially in Germany, GSM services have grown rapidly.

By the end of the decade even more ambitious cellular telephone systems based on new telecommunications satellite technology will usher in the truly global mobile telephone which will be capable of being used literally anywhere on earth. Plans for multi-billion dollar global satellite mobile communications systems such as Iridium, Globalstar and Inmarsat-P are already well advanced and on target to launch services beginning in 1998.

Most of them are based on a new breed of low-earth orbit (LEO) satellites which operate at altitudes of 400 to 1,000 miles. Because they are closer to earth than traditional Geostationary satellites, LEO-based systems will work with less

powerful, smaller, lighter and cheaper equipment.

Most strategists believe that these new services, coupled with the continued convergence of telephone and computer technologies, will eventually lead to multi-purpose handheld digital devices which will combine the functions of voice and data telecommunications.

Sales of the first generation of so-called personal digital assistants, such as Apple's Newton, have failed to live up to expectations, largely because they lack sophisticated wireless telecommunications facilities. However second generation devices which combine the data-processing features of a hand-held computer and the convenience of the electronic organiser with wireless voice and data telecommunications features should be available in a few years' time.

Such devices could provide a full range of information, navigation, communications and entertainment services in a pocket-sized package. Perhaps then the shoulder bag stuffed full of high-tech goodies will look as out-of-place as a portable typewriter does at an airport departure lounge today.

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## TIPS ON PERSONAL SAFETY

## Unfamiliar dangers

It may even be true that you have nearly as good a chance of being mugged in Maida Vale, London, as anywhere else in the world. But a businessman abroad is almost certainly less likely to spot the warning signs than one who is confronted by a robber on his home territory.

In unfamiliar cities business travellers are at their most vulnerable at the point of arrival: the airport. This is where you can fall foul of unlicensed or unscrupulous taxi drivers, who will rip you off because you have not done your homework and found out three vital pieces of information: what is the best mode of transport

downtown, the distance and the average fare. The airport is also where your wallet or handbag can get lifted while potential vendors crowd around you to win your fare to your hotel.

The first rule of foreign business travel is to get advice on which taxi company or taxi type is best to patronise. If you don't know the city, your agent, sales rep or even staff at the hotel you have booked into can advise you.

While at airports, the time spent at check-in desks can also be dangerous. Again, the combination of crowds and the constant movement of luggage and endless distractions should put all travellers on their guard. The best advice is to spend as little time as possible on this stage.

The move towards non-desk check-in at airports is to be applauded for this reason. Lining up at the terminal counter could soon become a thing of the past and it will also negate the need to have to drag your luggage through the terminal. KLM is one of the airlines in the forefront of this trend. It offers seven options for those passengers departing Amsterdam: through check-in,

round-trip check-in, car park check-in, gate check-in, telephone and fax check-in and ticket office check-in.

Telephone check-in is perhaps the most popular service that airlines offer. Scandinavian airline SAS reckons that business travellers need only queue for 10 seconds at the airport for their boarding pass. At least

internal transport. You must vary your route home and avoid visits on public holidays which are often key terrorist dates. Do not use the company jet, which sits on the tarmac for everyone to see. If travelling in a group, split up between cabins and don't book into your hotel under a corporate name unless the danger is minimal (and the corporate rate too good to miss).

Some nationalities are more likely to become victims than others. It is not surprising to learn that Americans come top of the list, but Britons and Canadians come close behind since they can often be mistaken for them.

The Overseas Security Advisory Council (OSAC) advises in these matters and has a checklist for ensuring safety. It suggests, among other things, making two photocopies of the important pages of your passport (one to pack, the other to leave at home) which will expedite replacement. You are advised not to pack unmarked prescription drugs and political literature. Choose non-stop flights or flights with the fewest intermediate stops or connections and reserve a seat near the exit.

They also advise dressing like a tourist and not a wealthy businessperson. Leave status symbols (watches and other jewellery) behind and do not discuss your travel plans with strangers.

Greater security is afforded on hotel executive floors which have better staff levels and often separate entrances, with generally more privacy. And never use the Please Clean My Room sign on your door as it shows your room is empty.

Lastly, people who walk with confidence and a sense of purpose rarely get mugged, say the OSAC.

Sarah Wilkins



## Christopher Price explains how the car rental price war plays into travellers' hands

## The customer is in the driving seat

Country	Proportion of rentals (%)		Rental demand	
	Domestic	Foreign	High	Low
France	80.3	19.7	June	January
Germany	57.0	43.0	October	January
Italy	70.9	29.1	October	August
Spain	55.2	44.8	August	December
UK	87.0	13.0	July	February

\*As measured by the big car rental companies: Avis, Budget, Europcar, Hertz, Sixt, Thrifty, and others.



26.4 per cent last year. In the leisure market, the brokers have significantly undercut established short-period car hire rates and the vicious price war in the holiday market has been widely laid at their door. Their large-scale entry into the business market is seen as only a matter of time.

The big rental groups are also under pressure from the manufacturers, particularly in the US, which have had to re-evaluate their positions during the recession. Many of the

Corporate rates in the UK have fallen so sharply that it is said to be as cheap to hire a car as to buy one

rental groups have special relationships with the big producers involving fleet discounts and maintenance. Overturns from Japanese manufacturers are expected to be listened to with increasing interest.

Such has been the decline in hire rates in the UK that Acrris says it is now as cheap to rent a new car as to buy. According to the association,

"one can now rent a car every weekend of the year and also for a two-week period in the summer for a combined cost of less than the annual ownership cost of £5,188." The latter is the Automobile Association figure.

Of the major European cities, London is the fourth cheapest, according to a survey by Visa. The daily rate for a mid-range car was £26.50. Amsterdam was the cheapest at £47.70. Brussels was the most expensive at £133.40. Frankfurt came in at the equivalent of £50.97, Milan at £92.28, Barcelona at £63.41 and Paris at £79.78.

With margins under pressure, the big players are fighting hard for market share, with the result being that some are operating at a loss.

"A price war may sound like good news for travellers, but in the medium term rates will have to rise if the industry is to invest in the service side of the business," says Mr Malcolm Packer, managing director at Eurodollar's international operations. "Some sense of sanity must return to the industry."

He fears that lower revenues will lead to lower quality and



Using the Hertz No. 1 Club gold service at London's Heathrow airport

deliver less of what business travellers want and need. "A

businessman wants to arrive at his airport in the knowledge that there will be no queues, little paperwork and good onward directions. It all has to be as painless as possible."

The Acrris survey suggests that, with Europe's economy slowly pulling out of recession, the rental market may have bottomed out. Only Germany is forecast to see a further decline in its revenues this year, down 0.25 per cent. Spain is forecast to grow 12.88 per cent, France 4.61 per cent, Italy 4.96 per cent and the UK 3.41 per cent. Market volumes

are forecast to grow nearly 7 per cent.

Acrris is also forecasting a growing presence for the computer reservation systems (CRS) being increasingly used by airlines, hotels and car rental companies. Their growth is likely to underpin any recovery in the fortunes of the major rental groups, which are tied into the main CRS systems - Amadeus, Galileo, Sabre and Worldspan. Last year, they received over 20 per cent of their business through the CRS system. The number of CRS terminals grew by 1 per cent last year to 54,348, according to Acrris.

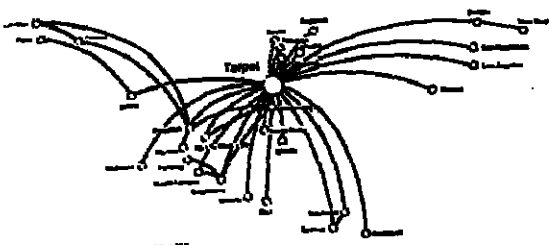
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## BUSINESS TRAVEL 11

"Don't eat the fried chicken at Lima airport."

Seasoned travellers to Latin America are full of anecdotal advice such as this. Everyone who has been to the continent has at least one harrowing tale of "Montezuma's Revenge"; of taxi touts quick to spot a naïve foreigner unaware of the latest currency reform, knocking several digits off or of a bureaucrat showing abnormal levels of zeal in performing an otherwise simple task.

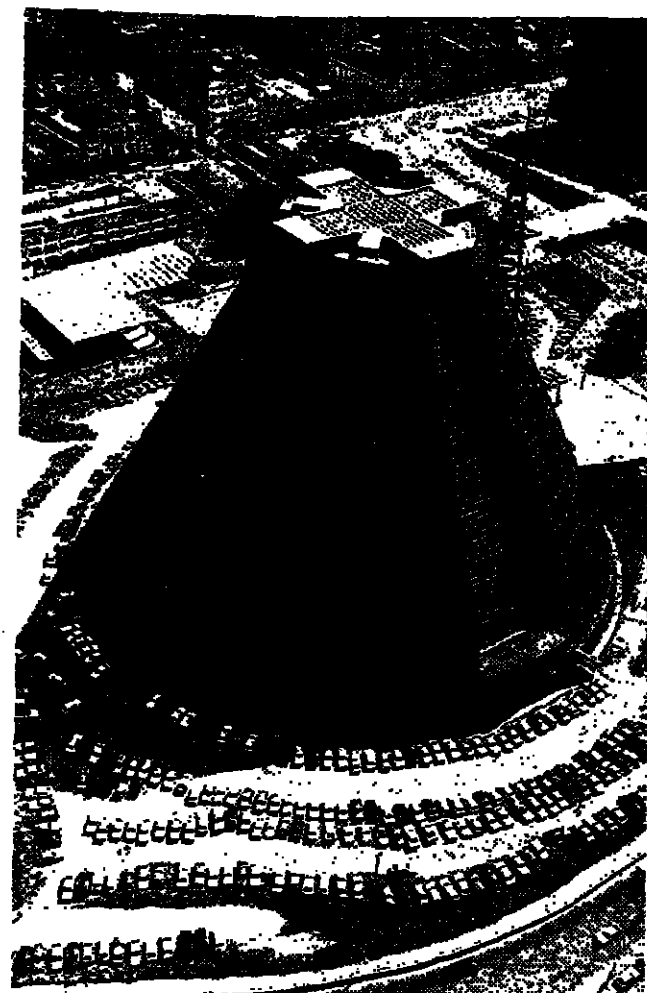
The most important piece of advice to any traveller - business or otherwise - is: relax. Adopt a Zen-style approach to the whole experience, and it will be more rewarding, enjoyable and, ultimately, successful than might be imagined at first sight. The alternative - becoming stressed - will certainly do neither you, nor your mission, any good at all.

Business travel to Latin

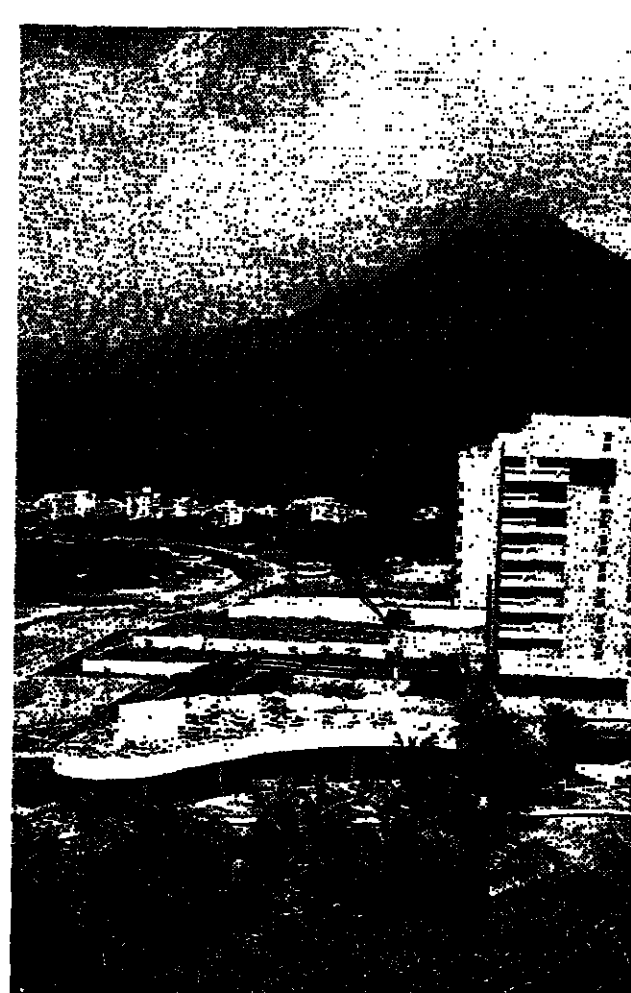
Anyone with experience of travel in some parts of the former Soviet Union will find Latin America positively advanced

America is as yet in its infancy, but it is rapidly developing, in the wake of the hundreds of privatisations that have taken place across the region. That means that many aspects of travel to the continent do not match developed world conditions, though anyone who has experienced travel in some parts of the former Soviet Union will find Latin America positively advanced.

All generalisations disguise many local variations, of course, but there are certain unifying aspects to travel in Latin America. Those who have already sampled Lima airport's fried chicken may find much of what follows old hat; novices may find it useful. Language: Speaking Spanish - or Portuguese, in the case of Brazil - is naturally a particular advantage, though not an absolute necessity in the case of those with a grasp of English, as English is much more widely understood and used, certainly in a business context, where many top-notch



Rio de Janeiro's central shaped cathedral and the city's business district (left); a street photographer at work in Buenos Aires and the Hotel Melia Caribe in Caracas



panies will be able to provide a chauffeur-driven car to help minimise hassles. Remember that the continent is a vast area; Argentina is geographically the same size as India. Health: Despite the opening comment from a traveller who has spent the last decade shuttling between the UK and the continent, seriously debilitating problems are very rare. The usual, obvious things apply as with any developing region: consider avoiding salads and fruit you do not peel yourself, stick to bottled water, eat food which is simple, bland and well-cooked. Some visitors regard the region's (highly variable) cuisine as delightful, others differ. Caracas, for example, might be a nightmare to get around in by car, but its restaurants are plentiful and excellent. In high altitude places such as Bolivia, consider chewing coca-leaf (not illegal from street vendors in

Chewing coca-leaf (not illegal from street vendors in small quantities) helps to ease altitude sickness

small quantities) - it does help ease altitude sickness.

Currency: Most Latin American countries - Brazil is an exception - have retained the rampant inflation of the 1980s, though whether it is simply a case of having trapped the devil in a jam-jar is yet to be seen. Stable, if occasionally over-valued, local exchange rates now generally prevail. In any case, the US dollar is the universal mechanism of exchange; take traveller's cheques for safety, of course. All major credit cards - and thousands of others - are widely accepted. Guides: Bookshops are now jammed solid with guides to the region, but only one is imperative, despite its occasionally infuriating tendency to lag behind recent developments. The book is the South American Handbook, published by Trade and Travel Publications. Potted histories, maps, hotel lists, advice are all there. Don't expect its price guides to be too accurate however; this is still a region of some volatility.

EMERGING DESTINATIONS: Gary Mead on Latin America

## Avoid the stress: relax and enjoy it

personnel will have spent a period of study in the US. But even a smattering of Spanish (or Portuguese) will be received with great pleasure; Latin Americans are, on the whole, not language snobs, and greatly appreciate foreigners' attempts to speak their language.

Security: Some cities, such as Buenos Aires, are astonishingly safe. Others - including Lima and Rio de Janeiro - can be problematic for the unwary. But physical violence is extremely rare; theft of ostentatiously valuable objects and cash is the main aim of any unfriendly confrontation. Obvious rules apply, when in unfamiliar surroundings, carry minimum necessities, and never try to be heroic. While violence is rare, life is cheap, on occasion. Always carry a little money, since that will at least placate the robber. Avoid illegal drugs; most countries, even when renowned drug-exporters themselves, have very strict anti-drug laws. (See Health, below). UK-based travellers can call the Foreign

Office Travel Advice Unit on weekdays between 9.30-4 for the latest information on destinations around the globe, including Latin America. However, that requires persistence as the lines are frequently engaged. But on the whole, the continent's trouble spots have considerably calmed in the last couple of years.

Accommodation: Latin America is not overflowing with first-class hotels. Years of economic decline and political unrest have meant that little investment has, until recently,

been channelled into a sector which hosted declining numbers of visitors. You can expect to pay developed world prices for what often feels like developing world accommodation and service.

This is changing. US hotel groups in particular are fast expanding in the region, though some very important cities, such as Caracas, still lack a truly first-class hotel. Others, such as Buenos Aires, have a highly developed hotel sector, but you will be fortunate to find anything with all

the comforts and services you require on a business trip for less than \$200 a night.

Some exotic-sounding locations - Montevideo, for example - still have primitive hotel accommodation, though fancy prices. Yet just up the road from Montevideo, at Punta del Este, are some fine hotels and the best beaches in the continent.

Internal travel: Some internal airlines, generally those still in state hands, are now widely regarded as lacking perfect safety standards. While this

area is clouded in controversy, it is best to check with the aviation authority of one's own country for a view about which airlines are viewed as maintaining all the safety measures required.

The continent's rail network is sadly underdeveloped; buses are widely used and generally reliable, the taxi of course is ubiquitous. Hire cars are widely available but again, in my experience, highly unreliable. Opt for taxis for city travel; most locally-based com-

EMERGING DESTINATIONS: Philip Gawith on South Africa

## Airlines and hotels can count the beans



The view from the cable car station at the top of Table Mountain, Cape Town



The business district of Johannesburg

much of it violent. That said, visitors are likely to be pleasantly surprised. Mr Tony Hicks, chief executive of the UK-Southern Africa Business Association, and a frequent visitor, comments: "Crime is a bigger issue in the minds of newcomers to the region than it should be. It is a very safe country to be in. A businessman is absolutely safe, providing he is sensible."

A US bankers notes: "Central Johannesburg is worse than mid-town Manhattan, but no worse than the bad parts of downtown Manhattan." A UK commentator adds: "I don't feel any more exposed than I would in parts of Los Angeles, Chicago or Detroit."

The actual conduct of business ought not to be too difficult. For a start, after years of isolation, South Africa tends to welcome visitors and English is the language of business, tele-

phone and fax services are good (cellular phone services were recently introduced) and there is competent professional back-up in areas such as law and accountancy.

For the businessmen with a few days to kill, there is a surfeit of leisure opportunities. The jewel in the crown is probably Cape Town, a two-hour flight from Johannesburg, and the surrounding western Cape region. Try to visit the game parks in the Eastern Transvaal, five to six hours by car, but shorter if you fly. If you are pressed for time or like golf, nip off to the Sun City complex, two hours' drive from Johannesburg.

The most tired cliché in South Africa is that the country is enjoying a post-election honeymoon period. As far as the business community goes, it is a phrase of some substance. Political reform in South Africa has ushered in an era of enthusiastic courtship between foreign businessmen, investors and bankers, and the local business community.

But while there has been much holding of hands and some knots have been tied, it remains early days. There has been little inward flow of investment to talk of.

For airlines and hotels, though, it is not too early to count the beans. The runway at Jan Smuts airport in Johannesburg testifies to a forest of new visitors. The foyers of the larger hotels have a cosmopolitan buzz which was absent as recently as a year ago.

Business and first class are normally heavily booked, so it is not always possible, at short notice, to get on a flight

For those businessmen who have still to put their toe in South African waters, there is not too much to be concerned about. Perhaps the country's biggest disadvantage is that it is a long-haul destination, certainly so far as any other major business capital is concerned.

On the other hand, this is offset, at least for European visitors, by the fact that there is little time difference. With most flights overnight, it is also quite possible to leave at the end of one business day and do business in South Africa the following morning (and vice versa).

Most of the world's main

carriers fly into South Africa on a fairly frequent basis, with British Airways and South African Airways both offering daily flights, and more, from London.

If anything, there are indications that supply might not yet have caught up with demand. Regular visitors from the UK say that business and first class are normally very heavily booked, and it is not always possible, at short notice, to get on a flight.

On arrival, the visitor will

discover that South Africa's best face is not immediately obvious. Jan Smuts airport, which is currently being upgraded, provides a satisfactory, rather than a good, service. Immigration and baggage services are adequate, rather than accomplished.

For the purposes of getting around, public transport is a non-issue - at least so far as getting to the places that businessmen are interested in. This leaves the option of taxis, hire cars or a chauffeur service.

Taxis are available but not always reliable, and the cars tend to be a bit run down. The hire car fleet is in good shape, roads are excellent, and the geography is very manageable, so hiring a car is a feasible choice. First prize, though, is to have a chauffeur service, because this means you do not have to worry about parking.

When it comes to accommodation, mainstream hotels range from £40 to £110 a night. So far as Johannesburg goes - and it is the nub of

most business visits, though Cape Town also attracts a fair share of visitors - the Sandton Sun and Towers hotel is a firm favourite. Bankers and businessmen can enjoy the bracing frisson of rubbing shoulders with the competition in the foyer.

The Towers extension, opened in 1993, is arguably the hotel best adapted to the business visitor, offering such facilities as chauffeured limousines, cellular phones and a business centre. Unsurprisingly, it also comes at the top of the price range.

One regular English visitor says the hotel is "a notch off top quality", but offers good value in an international sense. He adds: "I would be happy to transport that hotel elsewhere."

There are, of course, many other options. The Rosebank hotel is a middle-of-the-road favourite in the suburbs, while the Carlton keeps the flag burning in town. While there is no gainsaying the trend

towards staying in the suburbs, the Carlton clearly makes more sense for businessmen visiting banks, mining houses, stockbrokers and lawyers, all of whom still tend to be concentrated in the central business district.

The concern likely to be most to the fore in the mind of the novice visitor is safety. The good news is that levels of political violence have fallen dramatically since the elections. The bad news is that there is still a lot of crime,

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## BUSINESS TRAVEL 12

EMERGING DESTINATIONS: Sarah Wilkins on China

## Services improve, but obstacles remain

For the past two years China's economy has been growing faster than that of any other country. Business people are rushing to the country to cash in on the boom.

The statistics say it all: gross domestic product has been growing at an annual rate of 8 per cent and reached double-digit figures in 1992. Regions in the south of the country have been expanding at an even greater rate.

China's transition from rigid state control to a market-oriented system is bearing fruit for the indigenous population as well as foreigners. Business travel to and within the country has grown in tandem and, fortunately, there have been improvements in the quality of the travel services available.

Serious infrastructural shortcomings still hinder business travel. Airline services are perhaps the biggest obstacle. Intrepid travellers who take domestic flights should not expect to enjoy anything like western standards.

The country's national airline, CAAC, has been decentralised into over 25 regional airlines, practically one per province. Many, however, are very small operations with only a couple of aircraft.

The largest is Air China, which has done most to upgrade to international standards. A joint venture company called Ameco Beijing, established between Lufthansa, the German flag-carrier, and Air China, undertakes aircraft maintenance and servicing, and has brought this particular airline to the vanguard of Chinese aviation.

MD80 and B737 aircraft are utilised heavily for inter-city routes but there are also more passenger-

friendly B737-300 and B767s in its fleet.

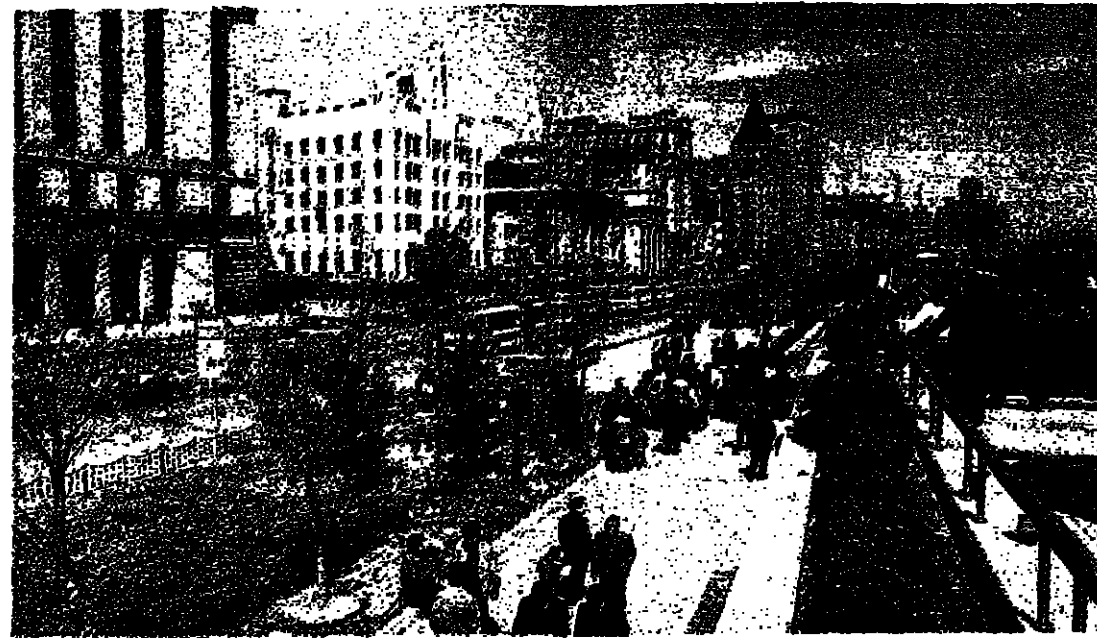
On the ground, Beijing airport is less of a nightmare to fly into these days. In 1992 an extension to the terminal was opened, which eased congestion. By 1996 a new terminal will open.

A six-lane highway downtown from Beijing airport has also helped cut the journey time of 45 minutes by about two-thirds. The 120km speed limit also helps. But one thing has not changed, and that is the inability to rent a car.

Travellers who embark on domestic flights should not expect western standards

Many taxis have meters but most drivers do not speak English, so it is wise to get directions written down.

The shortage of good office and overnight accommodation in China's capital city is no longer so acute, however. For many years, visitors to Beijing could choose only from the Great Wall Sheraton, the Shangri-La Beijing (located a little too far out of town) and the Holiday Inn Lido, which is towards the airport. The Holiday Inn's adjoining apartment/office block was a Who's Who of the foreign business community. These stood out as beacons



The Bund - the most famous street in Shanghai

of western comfort.

Over the last few years, however, there has been an explosion of new, western-managed hotels and the choice is almost limitless. Appalling traffic congestion in the city dictates that you must choose where to stay with care; otherwise, taxi fares become exorbitant and you will not

make the best use of your time in the city.

All rooms have what you would expect in a European establishment: colour TV with satellite programmes and in-house movies, direct dial phones, air conditioning, minibars and PC and fax outlets. The SAS Royal has opened near

the Holiday Inn, and both are adjacent to the China International exhibition centre. Go for the spacious Royal club rooms on its executive floor.

Slightly closer to the centre is the Great Wall Sheraton - nearest to the embassy district - which has new neighbours in the shape of the

Landmark, Hilton and Kempinski hotels. The latter is a mixed use complex with offices, apartments, endless restaurants and shops (including a Munich-style brewery) as well as useful services for expatriates such as a bakery and delicatessen. It also offers a shuttle bus to downtown.

Closer in still is the Swissotel, part of the Hong Kong Macau Centre. Upgrade to junior suites for good-size bathrooms. To the east is the New World, another mini city-style operation with offices, shops

Traffic in Shanghai is appalling and queues for taxis are horrendous

and apartments.

Directly south are two Shangri-La managed hotels, the three-star Traders and the five-star China World, together with over 20 restaurants, airline offices, exhibition space, two office towers, apartments and endless shops. Trade up to China World's Horizon floor if the budget allows.

In the core of the city are two deluxe properties directly east of the Imperial Palace and Tiananmen Square: the Holiday Inn Crown Plaza and the Palace.

Without doubt, the Palace is Beijing's finest, complete with a white

marble staircase that would not be out of place in Hong Kong. Not surprisingly, it is managed by the Hong Kong based Peninsula group.

Other hotels worth mentioning are the New Otani and the four-star Sara.

Not everybody stays in Beijing, however. It is likely that you will be travelling to the south of the country because this region, more than anywhere else, has benefited from Deng Xiaoping's reforms. Deng's "open door" policy, adopted in 1979, manifested itself in a list of Special Economic Zones set up for foreign investors. The Guangdong province and the Shenzhen economic zone were the principal beneficiaries initially, followed by Pudong in 1990.

Over the past 15 years, Guangzhou's economy has grown at an annual average rate of 13.9 per cent. During 1993 and 1994 it rocketed to 23 per cent. Travellers here can opt for one of the two rather large (over 1,000-room) hotels, the Garden of China, the much smaller Holiday Inn in the new commercial district or the Ramada Pearl, which is the closest to the Huangpu development zone. The city's Baiyun airport is just 20 minutes away.

A visit to Shanghai, the country's financial centre, may be on your schedule. There are half a dozen good, western standard hotels to choose from. The best is probably the Portman Shangri-La but the Garden hotel (managed by Okura) is a close second. There is also the Shanghai Hilton, the Equatorial, JC Mandarin, Sheraton, New World and Westin Tai Ping Yang.

Traffic is appalling in this major port; the airport is 15km away and queues for taxis are usually horrendous.

EMERGING DESTINATIONS: Sarah Murray on Vietnam

## Chaos of the modernisation drive

The fun starts on the way in from the airport. Speeding along in a Toyota taxi, the four-lane highway to the centre of Hanoi that was completed earlier this year looks impressive - until the car screeches to a halt at a junction with no traffic lights, where a farmer is endeavouring to cross accompanied by a gaggle of geese.

Such an episode is typical of the chaotic way Vietnam is running headlong for high-tech 20th century modernism and can make business travel there both frustrating and extremely entertaining.

In the hotel, you may have a new Japanese television set in your room, complete with remote control, only to find that the establishment has not bought itself a satellite dish and the only programme available on all 20 channels is a Vietnamese soap opera, seen through constant grey electronic haze.

However, with investment pouring into the country - foreign pledges for projects in Vietnam recently hit the \$10bn mark, according to the State Committee for Co-operation and Investment - it is clear that business travellers are

not being put off by such details.

Every flight into Vietnam is packed with foreign executives eager to strike a deal. The creaking infrastructure is sometimes unable to cope. Flights between Hanoi, the capital, and Ho Chi Minh City (formerly Saigon), the commercial capital, and centres such as Hong Kong or Bangkok are often overbooked. Power cuts make using computers a trying affair and the roads are in a pitiful state.

Finding a hotel can be a problem, too. Ho Chi Minh City has a good choice of

accommodation. Older establishments such as the Continental, Majestic and the Rex will suit those looking for charm and history. The more expensive Omni Saigon, the Saigon Floating Hotel and the Century Saigon provide modern international facilities.

In Hanoi, however, the existing accommodation can barely keep up with the rush. The Metropole remains the only western standard hotel and as a result is constantly fully booked. While the mini-hotels springing up all over the city are easing the situation, finding somewhere to stay in the

capital can be difficult, so book well in advance.

But the Vietnamese are no slouches when it comes to accommodating this influx of business travellers. In the two main cities, taxis can now be called by phone and a variety of consultants and agencies will make travel arrangements and extend visas.

Most hotels are busily installing IDD phone and fax lines while in Hanoi the Little Italian restaurant will take telephone orders and even deliver its pizzas to your door.

The cyclo - bicycle taxis - have also started to smarten up their act by adding to their vehicles hoods, as protection against the frequent monsoon rainstorms, and cushions.

A powerful incentive behind the creation of these services is the dual pricing system, a particularly frustrating element of travel in the country. The system - whereby foreigners are charged substantially more than the local population - operates on both an official and an unofficial level.

The government-imposed pricing system ensures that a foreigner pays, for example, \$300 for a return flight to Ho Chi Minh City while a Viet-

namese pays \$118 for the same journey. Foreign residents pay higher prices for their electricity and phone bills, too.

On the unofficial market, prices can usually be knocked down by about half. Nevertheless, while a cyclo driver can be persuaded to drop his charge considerably, he will never go below a certain price - about \$1 a kilometre (25 cents for Vietnamese).

Such frustrations aside, Hanoi will find the country a delight. The Vietnamese speak a wide range of languages, many of them acquired during periods spent working or studying in China, Cuba or countries of the former Soviet Union. Thus, it is not unusual, for example, to find a Vietnamese who speaks fluent Romanian. Fortunately for those whose Romanian is a little rusty, English is rapidly becoming the most popular foreign language spoken in the country, with French as the runner-up.

Foreign investment is increasing the comfort for the business traveller. Cathay Pacific's involvement on the Hong Kong-Hanoi flight, for example, has helped well-trained air hostesses dish out meals that almost resemble something served on British Airways or Lufthansa - a far cry from the dog-eared cardboard box containing shrivelled vegetables in vinegar and a stale bun that used to be the norm on Vietnamese flights a few years ago.

Over recent years several foreign firms have been working with the Directorate General of Posts and Telecommunications, which runs Vietnam's communications, to upgrade the country's internal and overseas telecommunications. While national phone lines remain unreliable, it is claimed that international



An American businessman takes a taxi in Hanoi

## Vietnam business travel guide

<b>Dialling codes:</b>	
Hanoi	014
Ho Chi Minh City	018
<b>Hotels: Hanoi</b>	
Metropole	tel: 266919, fax: 266920
Heritage Hotel	tel: 351414, fax: 351458
Saigon Hotel	tel: 268499/505, fax: 266631
Hanoi Hotel	tel: 252240/270, fax: 258209
Government Guest House	tel: 255853, fax: 258277
Defence Ministry Guest House	tel: 265540, fax: 265539
Army Hotel	tel: 252896, fax: 259276
<b>Hotels: Ho Chi Minh City</b>	
Rex Hotel	tel: 292185, fax: 296536
The Saigon Floating Hotel	tel: 290783, fax: 290784
Century Saigon Hotel	tel: 231818, fax: 292732
Hotel Majestic Saigon	tel: 295510
Caravelle	tel: 293704, fax: 296787
Continental	tel: 294456/299255, fax: 290936
Omni Saigon Hotel	tel: 449222/333, fax: 449200
<b>Restaurants: Hanoi</b>	
Indochine, 16 Nam Ngua: Vietnamese cuisine with traditional music	tel: 246079
A Little Italian, 81 Tho Nhuom: Italian pizzas and pasta with live performances by a string quartet on Sundays	tel: 258167
Marriotts, 65 Ngo Hue: Vietnamese and western dishes	tel: 226633/4
Restaurant 202, 202a Pho Hue: Vietnamese and Chinese cuisine	tel: 268487
Piano Restaurant and Bar, 50 Hang Vai: Vietnamese and Chinese cuisine	tel: 232423
La Beaulieu, Metropole, 15 Ngo Quyen: French cuisine	tel: 266919
<b>Restaurants: Ho Chi Minh City</b>	
Lemongrass, 63 Dong Khoi, D1: Vietnamese cuisine	tel: 298006
Madame Dai's Bibliotheque, 84a Nguyen Du, D1: French and Vietnamese set menu in a private library with traditional music and dancing performances on Saturday nights	tel: 231438
Spices, Melody Hotel, 151 Nguyen Van Troi, Phu Nhuan: Malaysian cuisine	tel: 441719
Vietnam House, 83-95 Dong Khoi, D1: Vietnamese cuisine	tel: 291623
L'etoile, 180 Hai Ba Trung, D3: French cuisine with a piano bar	tel: 297939
<b>Embassies</b>	
Australia	tel: 252783
China	tel: 253738
Canada	tel: 265840
France	tel: 252719/254367
Germany	tel: 253838/8
Italy	tel: 256246
Japan	tel: 527924
Singapore	tel: 233966
Switzerland	tel: 232019
Thailand	tel: 253092
UK	tel: 252510
<b>Taxis: Hanoi</b>	
Hanoi taxi	tel: 535252
Fujicab	tel: 255452
<b>Taxis: Ho Chi Minh City</b>	
Airport Taxi	tel: 448686
Vinataxi	tel: 442170
<b>Airlines</b>	
Vietnam Airlines (Hanoi)	tel: 255284/253842
Vietnam Airlines (Ho Chi Minh City)	tel: 292118
	230698/292228

direct dialling now reaches 214 countries with efficiency. However, this comes at a price. Vietnam is one of the most expensive countries in the world for IDD calls.

Credit cards, unheard of a couple of years ago, are being accepted in more and more places. It is also possible to draw cash from certain banks, such as the ANZ Bank in Hanoi, using a credit card.

The easiest method of payment up to now, has been with dollars in cash. Dollars have been interchangeable with dong, the local currency for most transactions, and government economists estimate \$600m is circulating in notes within the country.

However, a new foreign exchange regime introduced at the beginning of this month is set to change all this. The new rules mean businesses must channel their hard currency earnings through bank accounts. Everyday transactions must be carried out in dong, although it is uncertain how effectively this rule will be enforced.

Airlines, insurance, shipping and telecommunications firms may continue to charge in dollars, but the full consequences of this move remain to be seen.



Credit cards have gained acceptance in Hanoi

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Airlines have tightened up their procedures, reports Kate Bevan

## Looking after your luggage

You know the feeling. You're standing in the baggage hall long after everyone else on your flight has collected their bags, watching two suitcases doing desultory circuits of the conveyor belt - and neither of them is yours.

Meanwhile, your suitcase is probably making similar and circuits at another airport - not necessarily in the same country or even the same continent.

Theoretically, of course, this should not happen. Airlines have tightened up their procedures in the wake of the Lockerbie bombing, which was traced to a bag travelling unaccompanied. And if you're flying business or first class, your bag should have a tag indicating that it belongs to a premium class passenger and should be handled accordingly.

There are steps you can take to prevent your luggage going astray. The most important thing you can do is not check in your bags - a golden rule for regular travellers is to carry as much as possible as hand luggage.

Airlines are a bit sticky about how much you can carry on, so some passengers will go to extraordinary lengths.

Mr Mark McCormack, founder of the International Management Group, recommends in *Hit the Ground Running*, his guide to hassle-free executive travel, that you get someone else to look after your bags, out of sight of the desk, while you check in unaccompanied by anything more than an innocent suitcase and briefcase. Then you retrieve your other bags and proceed to the gate where, with a bit of luck, you can convince the agent that the check-in desk said it was OK for you to carry on

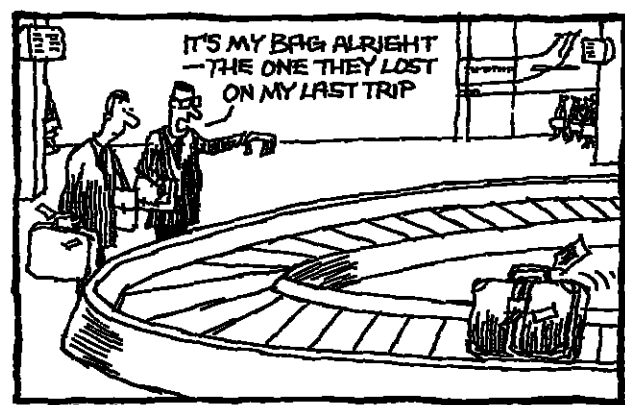
your other encumbrances. This may be a desperate measure but it does spare you from the lonely vigil by the baggage carousel.

Generally, in first and business class, you can carry on an overnight bag, a briefcase (or a handbag), plus a coat, a camera and an umbrella. This is, of course, of most use to women but men should take note of the vast size of handbag that some women carry in addition

into the baggage hall before you are.

Should you be forced to check in your bags, there are steps you can take to lessen the chances that they go astray.

The main thing, say the carriers, is to make sure the bags are clearly and securely labelled - both inside and out. Paper tags are a waste of time as they can be ripped off, so opt for something more sturdy.



to other hand luggage. There's nothing to stop a sportsman carrying a bigish shoulder bag and arguing that it counts as a handbag should anyone object to it.

Perhaps the only time that you will be prevented from carrying on too much is if you are travelling on Concorde. The cabin is surprisingly cramped and there is not much room for hand luggage, so British Airways may insist that you check in your suitcase. However, your bag will be given the attention you expect: it is zipped into a clearly labelled cover and the airline promises that it will be off the jet and

Another tip is to make sure that your home address is not on the outside label. This is a signal to thieves that the house is probably empty and therefore a target. However, your home address should be on a label inside the case so that if it does go astray, it can be returned.

It may seem obvious, but a sturdy lock will slow down a potential thief, as will a hard suitcase.

Travellers debate the virtues of soft bags versus hard bags, but airlines are clear that hard-sided cases are safer, as a protection both against theft and from accidental damage. The

downside of this is that they are heavy before you start filling them up and there are weight restrictions on checked bags, with the heaviest, not surprisingly, being in economy where you will be limited to 20kg of luggage.

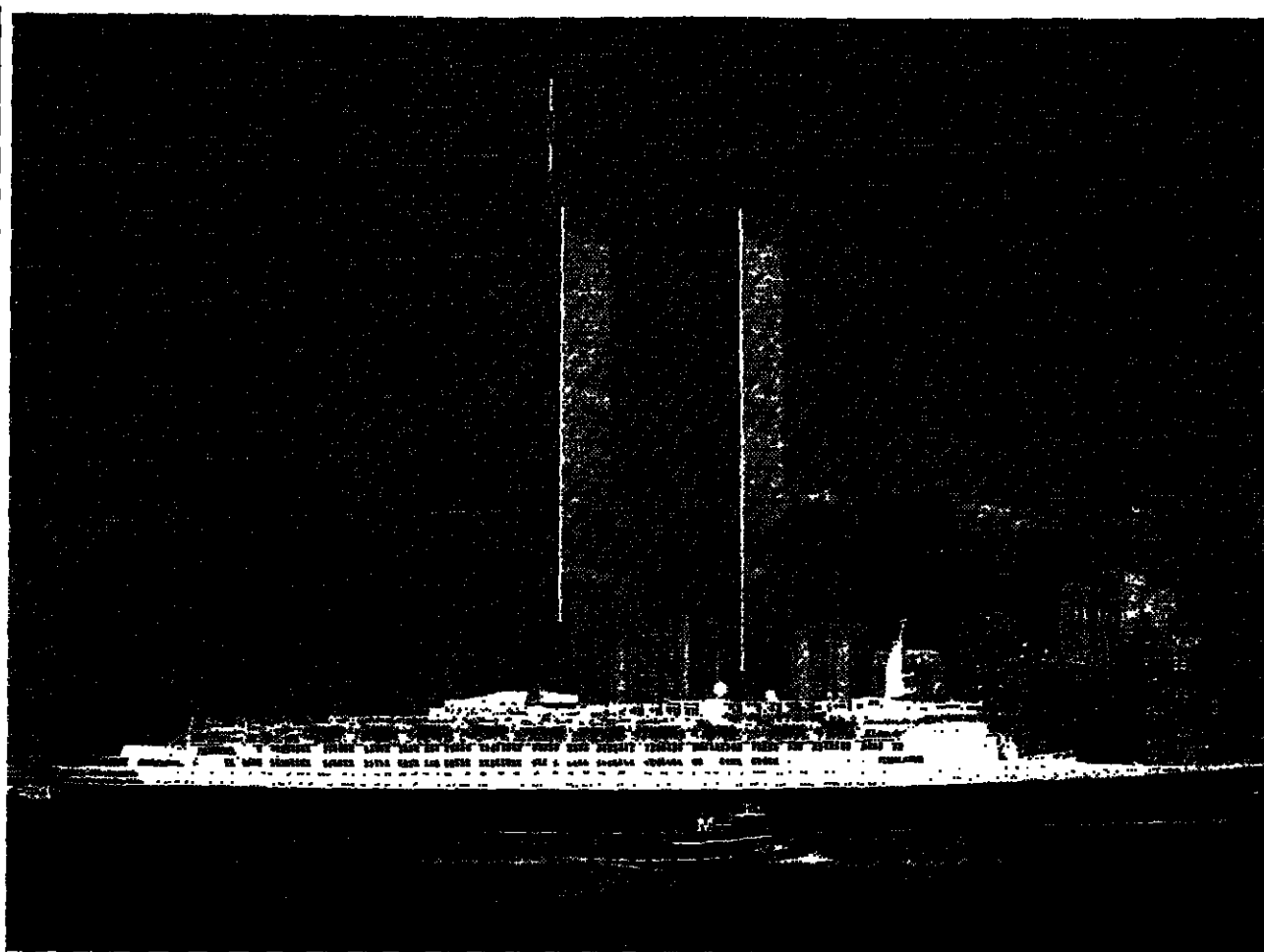
Remember, also, that suitcases and bags look alike and business travellers in particular are likely to grab the first black Samsonite they see without necessarily checking to make sure it is theirs.

The airlines advise that you should try to make your bag look different. That could mean putting a bright strap around the case or using stickers.

One way to avoid losing luggage is to insist on taking direct flights, wherever and whenever possible. If you do have to change aircraft, your bag will also need to be switched over, and this is a weak point, although improvements at London Heathrow should reduce the risk for passengers who transfer from international BA flights to domestic flights.

If the worst happens and your baggage goes AWOL, you must take immediate action. Go to the baggage handling services and tell them that your luggage is missing, and make sure that you fill in the forms. Don't put this off - you will have all the necessary information to hand and the sooner you alert the carrier, the sooner you will be reunited with your luggage.

The staff will haggle with you over what you need to buy as replacements and try to beat you down, assuring you that the missing bag falls to turn up within a reasonable time - is overnight - then you will need to give the airline more detailed information



The QE2, last of the great liners, is the only alternative to crossing the Atlantic by air. The 1,700-passenger Cunarder

will make 27 crossings between New York and Southampton in 1995. With direct dial satellite phone and fax links,

a computer centre and meeting facilities, she carries an increasing amount of conference traffic

Open Circle

lost - but you still need clean clothes, a change of underwear and some toiletries. You will do better for compensation if you are on your outward journey - the carrier will reckon that you have all you need at home.

If the missing bag falls to turn up within a reasonable time - is overnight - then you will need to give the airline more detailed information

about what was in it. This is where it pays to have a list with you (among your hand luggage, of course) of exactly what your suitcase contained. If you forget to tell them about your expensive leather trousers or silk dress, you will only kick yourself.

British Airways says that it reimburses 95 per cent of lost baggage within 48 hours. This should get even better as it has recently joined

the airlines' World Tracer scheme, which notifies all lost baggage to a computer in Atlanta in the US. This matches straying bags to bereft passengers and automatically puts the case on the next flight.

It is very unlikely you will lose your bag for good - European airlines mislay about 10 suitcases in 1,000 - but that does not absolve you from taking basic precautions. And the

best thing you can do is insure your luggage against loss. While the airline which has lost your favourite Louis Vuitton suitcase will be suitably apologetic, it is ultimately only liable to pay compensation of \$20 per kilogramme under the Warsaw Convention.

The moral is: insure your bags, label your bags inside and out, and know what is inside your bags. Other than that, you are at their mercy.

STAYING ON: Keith Wheatley visits a Benedictine monastery in western Australia

## Old World down under in New Norcia

Thieves who bound and gagged Benedictine monks to steal several million pounds worth of 17th century European religious paintings made headlines around the world. But it was not so much the crime as the location - a lonely monastery 80 miles north of Perth, western Australia - that caught the public's imagination.

In the accepted cultural order of things, works by Murillo, Pietro da Cortona and Ribera belong in the shuttered calm of European galleries. It came as a shock to realise that the greatest such collection in the southern hemisphere was held by a dwindling band of brothers in the empty sheep country of western Australia.

But then New Norcia does come as a shock. Driving north on the lonely highway out of Perth, it rises out of the carpeted green hills like a vision of Old Spain. Turreted

neo-gothic castles in pink and white face an abbey church whose spire must pine for the Mediterranean.

Along cloisters roofed with corrugated iron, yet possessing the tranquillity of the Old World, black-cowled monks hurry to Vespers. The older ones exchange greetings in Spanish. Their day begins at

monks wealthy, but the problems of agriculture have hit devout and pagan alike.

At least a dozen of the monks are old enough to receive state pensions. This income funds many of the monastery's day-to-day needs. Providing a retreat for the stressed urbanite will keep the community afloat in future

Insurance advisers have intimated that an armed guard must watch over the pictures

4.00am - early even by the rigorous standards of the Australian outback.

The single bell that summoned the brothers to Lauds, first of the seven canonical hours, calls out across the Victoria plains. Fifteen thousand acres of it belong to the monastery, although it is farmed by tenants. In better times it made the community of 30

years. A new "hotel" wing has been added. "The guests will be the focus of our activities in future years," said one of the brothers. Visitors are a double-edged sword, however. Insurance advisers have intimated that in future an armed guard must watch over the pictures.

The empty white walls where the masterpieces once

hung provide a sad counterpoint to the tale of how the collection, and the community, came into being. It largely reflects the efforts of one man, Dom Rosendo Salvado. He was a Spanish-born Benedictine monk. Anxious to perform missionary work, he persuaded Pope Gregory XVI to send him to Western Australia, where there was a newly appointed Catholic bishop.

In 1846 Salvado landed in Fremantle. The colony was then 17 years old and not much of the area beyond Perth and the Swan river valley was settled. With a flock of monks and supporters, Salvado trekked north. The first expedition virtually starved to death in the bush, but a second start was made at the present site five years later.

The oldest wing of the monastery dates from that time but feels older. The uneven floor planking of local jarrah wood possesses an almost medieval texture. Contemporaries of Salvado recorded how he found relaxation, on his hands and knees, polishing the deep brown timber. He was a remarkable man by every account. Much of the present road south to Perth he cut single-handed from the bush with an axe.

Salvado's mental gifts made him a sought-after correspondent in European society of the late 19th century. Letters to Salvado from Queen Isabella of Spain lie in the archives, as do a series from Florence Nightingale. One occasion the abbot was visiting Italy and was presented with a complete set of uniforms and instruments for a brass band. He sent them

back to Australia ahead of his return.

When Salvado did reach home he was met by Aboriginal boys, rehearsed and excellently drilled as the New Norcia Brass Band.

Queen Isabella laid the foundation for the art collection, giving New Norcia an especially fine Murillo in the 1860s. Other monks began to seek out paintings. As recently as the middle of this century, a Ribera was secured for \$50 at a Melbourne auction, but most acquisitions were donations.

As the monastery expanded and became more secure, the work of the monks increased. They sank more than 200 wells in the area, imported bees, planted vines and founded what were to become four boarding schools catering for both aboriginal and white children. Each group of students was taught and administered by a different religious order, although the Benedictines retained overall control. If ever God had a "company town", it was New Norcia 50 years ago.

If the focus of the settlement has now shifted to the visitor, nowhere is that more evident than at the New Norcia Hotel. Designed in 1927 by Father Urbano Gimenez as a hostel for the visiting parents of pupils, it is one of the most imposing buildings in the state.

The colonnaded facade, with its deep, cool verandas, opens into a hallway with a double staircase that would be the equal of a Mayfair or Belgrave town-house. It is an endearing mixture of the grand and of a run-down country hotel.



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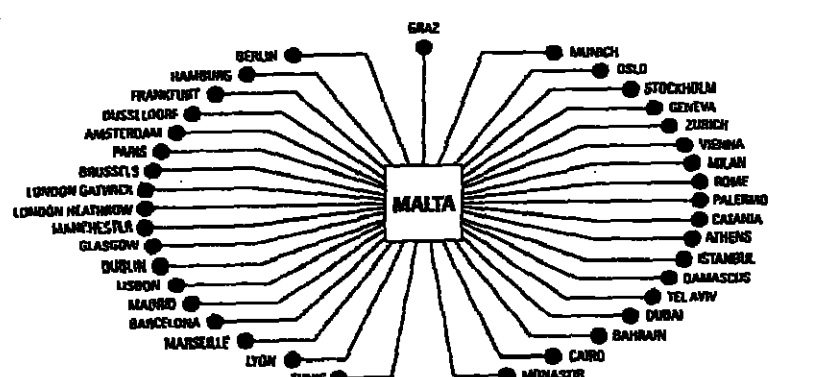
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## BUSINESS TRAVEL 14

STAYING ON: Chris McCooley sniffs the bracing air of Ostend

## Watering place that holds its popularity

If you drive into Ostend from the motorway that connects it with Calais or Brussels, you cannot fail to see the imposing bottom of a huge female statue about a kilometre from the seafont.

The lady, wrought in green-tinged copper, reclines on her side looking out to sea, although her view of the waves is blocked by an ugly concrete edifice.

The well-built lady straddles the central reservation of the wide Leopold II Laan and although her nakedness is partly concealed by fountains she seems to symbolise the worldly pleasures of Ostend, including the good food and drink that I found here during a one-week stay.

Ostend's fortunes have fluctuated over the centuries. The old fishing village on the flat and windswept North Sea coast was given a town charter in the 13th century, in recognition of its growing importance as a port for trade across the Channel.

Flanked on both sides by an

empty expanse of sand dune, it remained the only important harbour along this stretch of coast until the construction of Zeebrugge in the 19th century.

It was at this time that Ostend began to get pretensions. Or rather, the newly created King Leopold I of the Belgians wanted to do for Ostend what England's Prince Regent (later George IV) had done for the Sussex coast village of Brighton.

On January 20 1831, the London Conference recognised Belgium's independence from Holland and proclaimed the country "a perpetually neutral" state. The crown was accepted by Prince Leopold, son of the Duke of Saxe-Coburg-Saalfeld and the uncle of Queen Victoria (he was much in demand for performing royal roles: in 1816 he had married Charlotte, only child of the British Prince Regent and heiress presumptive to the throne, but she died in childbirth the following year - and in 1830 he was offered but declined the



Church of St Peter and Paul: the city's charter is 700 years old

Greek throne).

Leopold chose Ostend for a royal residence in 1834 and set about taking the town upmarket. The rail connection with Brussels meant that it was easily accessible.

First, the king ordered that the old city walls (it had been attacked and besieged many times over the centuries) be pulled down so that it could expand along the seafont. Ele-

gant summer houses and swish hotels were constructed and parks laid out.

By the seaside, wide promenades were built for the fashionable to stroll along, taking in the bracing air, clearing the head, for the hedonistic delights of the evening to come which invariably centred around the Casino-Kursaal on the seafont. Completed in 1852, it was where concerts



Ostend's Montgomery Dock: a symbol of the intimate British connection and a venue for yachts from all over Europe

were performed by the great orchestras of Europe, ballets danced, operas sung and paintings admired. There were also gaming rooms and restaurants which catered for those who came to the resort in the appropriate seasons to see and be seen.

The grandly named Wellington Hippodrome (after the Iron Duke, who performed his most heroic deed on Belgian soil)

was built just out of town. Literally a stone's throw from the sea, trotting and flat races were held here (and still are). A tram system - still in use today - was laid out. Leopold II kept up the good work and then his son Albert, in turn, continued to patronise the resort. By 1900, the Baedeker travel guide distinguished Ostend as "one of the most fashionable and cosmopolitan

watering places in Europe".

Two periods of German occupation have taken their toll, as have periodic downturns in economic activity. Ostend has lost its exclusiveness but retains popularity for many laid-back Belgians - today "raffish" seems a more appropriate adjective than "fashionable".

During the last war Ostend was in the front line - bombs destroyed much of what remained of the old fishing and port town that predated the royal connection - as well as the fine buildings that the royal family encouraged in the 19th century. In their place, concrete and glass hotels and apartments have been hastily erected, functional for those that live in them but unappealing to the eye.

Typical is the casino on the same site as the original.

This is the edifice that blocks our female friend's view of the sea (the statue is called *De See* - The Sea - and was sculptured by Georges Grand of Tournai in 1965). Built in 1963 in the austere post-war years, the building's concrete facade is crumbling as the salt air eats into its fabric. But inside, it remains the cultural heart of the town. Modern painters and sculptors exhibit in the galleries, and there is a fine auditorium.

However, this is no longer the Belgian equivalent of

and beyond to Holland and Germany.

And adjacent to that is the coastal tram terminus where you can get tickets to go east to Knokke-Heist and west to De Panne.

In the seven nights I stayed in Ostend I ate some of the best meals that I have had anywhere in the world. They included Malaysian, Chinese, Italian and Turkish dishes. If it is seafood you are after, then Visser's Kaai is the place to go - it fronts the eastern side of the town and overlooks Montgomery Dok. On the townside are numerous restaurants and on the quayside are stalls selling snacks. For one meal I had what amounted to a bucketful of mussels in a Provencal soup with a huge plate of French fries for BF500. Another day, for a snack, I tried "warne wullocks" - a tub of whelks in a spicy and hot soup (BF100) followed by a piece of smoked eel (BF100) and rounded off with a pleasant, chewy rollmop herring (BF30).

Baedeker's description "watering hole" remains as true today as it was a century ago. If you like beer, then you'll like Belgium and Ostend has countless watering holes, some of which specialise only in beer, stocking over 100 different varieties. Many of the numerous Belgium breweries have their own distinctive glasses for their own beer. If you order a wonderfully named

Many business travellers abroad see little more than the airport, the motorway to the city centre and the inside of a hotel. But for those who can extend their stay, hidden treasures are waiting to be discovered.

On this page we look at medieval Ostend, a short journey from Brussels. On page 13 we describe an Australian monastery, 80 miles from Perth, which is now open to visitors, and on page 15 we look at a favourite of writers, artists and the stage - Portofino in Italy

Glyndebourne: the Chippenhams, a couple of Flemish stand-up comedians, a Broadway company on tour with the sex and drugs anti-Vietnam musical *Hair* and the Glen Miller Band - to celebrate the 50th anniversary of the liberation of Belgium from the Nazis - were on the bill for the summer months.

There are still restaurants and gaming rooms (although a private club, visitors can secure a daily membership by paying BF100 and showing a passport).

When the sun shines, the miles of lifeguarded and sandy beaches that stretch from the harbour entrance all the way west to De Panne attract tens of thousands, especially families with young children. Cafes spill on to the foreshore with glass screens to keep the wind-blown sand from the coffees and cakes and beers and ice creams.

People still like to stroll along the promenade atop the massive sea wall, as they did in Leopold's day. Or you can hire pedal cars that seat up to six people for BF80 per person for 30 minutes, or take a horse and carriage ride for BF400. Belgians are mindful of public hygiene - the horses have napkins and the vending machines on the seafont sell paper bags so that the owners of the town's many dogs can clean up their pets' poop.

The town remains cosmopolitan. The harbour, marina and Montgomery Dok attract yachts from all over Europe and beyond - they tie up, cheek by jowl, their sleek hulls gleaming, masts at attention, rigging jangling in the breeze. Jet foils and ferries arrive every couple of hours and discharge passengers from up and down continental Europe and from across the North Sea. Loud and loutish groups of daytripping Britons are a common sight - reeling from bar to bar, they are tolerated for their spending but despised for their foul language and vomiting.

Right next door to the ferry terminal is the station with trains to Antwerp or Brussels,

Kwac beer, it will be served in what looks like an alchemist's vessel - a glass with a bulbous base, a narrow waist and a wider drinking end and held upright in a wooden holder.

If you are in need of "hair of the dog", then the aptly named Delirium Tremens can be ordered. The pink elephants on the bottle and drinking glass are a nice touch, as was the notice over the bar where I sampled one, purely for research purposes: please respect the privacy and rest of other guests.

Other beers, like some brewed by Duvel and Hoegaarden, are re-fermented in the bottle so pour carefully to leave the yeasty sediment behind.

With alcoholic strength up to 12 per cent just a couple of bottle beers should get you feeling quite mellow.

### USEFUL INFORMATION

Belgian tourist office, 29 Princes Street, London W1R 7RG. Tel 071-629-0230 fax 071-629-0464.

Getting there: P&O operates six to eight sailings a day from Dover to Ostend, a journey of four hours. A car with four people costs from £70 to £145 one way. Calais is less than an hour and a half by car from Ostend mostly on (free) motorway E40. In Belgium diesel costs about BF23 a litre whereas petrol is about BF33. Ostend parking restrictions are very strict between 9am and 7pm - tow-aways for misdeemeanors are common. Hotels may charge BF400 for 24-hour garage parking.

Staying: The Belgian Travel Service, Bridge House, Ware, Herts, SG12 9DG tel 0920-487345 fax 0920-463379 offers two- or five-night packages by rail or car/ferry with accommodation in double or twin-bedded rooms with own shower and WC and continental breakfast. Prices start from £110 a person for two nights by rail from London or £76 per person for two nights based on a Dover-Calais crossing with a car and four adults.

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STAYING ON: Andrew Hill finds plenty of big fish in Portofino

## Magnates rent hidden villas on the cliffs

Even if you have never been to Portofino, you may have heard of it. If you haven't heard of it, you've certainly heard of the people who have.

Guy de Maupassant, Nietzsche, the Duke and Duchess of Windsor, Truman Capote, Rex Harrison and Richard Burton were all enchanted by the tiny Ligurian port. Its reputation for attracting the high life is such that it is probably the only fishing village in the world to have a Swiss watch named after it.

There may not be many fishermen in Portofino now, but there are still plenty of big fish. Italian magnates rent the hidden villas barnacled on to the cliffs on either side of the cove, while the international crowd moor their giant yachts offshore or thread them between the fishing boats to reach the harbour itself. All summer, ocean-going eyesores float in front of the *trompe l'oeil* pastel facades, as ugly as two-storey car-

avans abandoned on a medieval village green. Tenders from Cunard cruise ships, anchored in the bay, shuttle passengers back and forth between

their floating hotels and the luxury boutiques and expensive restaurants around the harbour, while fat American families wobble down into the village from the \$320-a-night, 63-room Splendido just above the port.

For those who can't get a hotel room in high summer, there are still a few options. You could make an early bid for one of the limited places in the village's new (and cleverly concealed) multi-storey car park.

Alternatively, take the regular ferry from down the coast, or do as the Italians do and ride in on a Vespa from neighbouring Santa Margherita and Rapallo to stroll and gawp, fragrant focaccia - the local pizza-like snack - in one hand, scooter helmet in the other.

Given its obvious popularity, it seems odd that Liguria's best-known resort is going out of its way to promote itself internationally. Yet Gianni Artoli, Portofino's mayor, insists that by the mid-1980s the village had an image problem. "We'd slipped a little in quality: the village had become a holiday place and nothing more", he says. "There was a need to do something, to stimulate something."

Like all good politicians, Artoli traces the transformation in local fortunes to the beginning of his own term in office in 1986. What started as a couple of evenings of jazz in the piazza last year became "Portofino, Porto d'Arte", an ambitious summer arts festival.

That means that you no longer have to be a gawper or a presner to enjoy Portofino in the summer, and there is a more eclectic mix of visitors on the waterfront. Italy's prime minister, Mr Silvio Berlusconi, is a frequent visitor to Portofino.

This year Mr Berlusconi's alleged dinner-table indiscretions about allies and enemies made front-page news, and no doubt enhanced the takings of the Fanny restaurant where he made them. Also there was Aldo Busi, the flamboyant bad boy of contemporary Italian literature. His dramatic monologue *Clementina Gnocchi* (an extract from his book, *Sodomies in Elevenpoint*), was premiered in the village's 120-seat Teatrino during the festival.

Not that Portofino is trying to shake off its glibby image. As Paola Brusati Falsari, the festival's artistic director, puts it: "The middle- to low-brow tourists don't find much which is interesting in Portofino."

The beaches on the promontory are disappointingly small, privately owned or occupied by regiments of pay-as-you-bronze deckchairs, and the former fisherfolk know that the average yacht owner will pay hand-

somely for local specialties such as pesto sauce or the triangular filled pasta, *pansotti*, and charge accordingly. But the village benefits from the festival.

For example, the artistic initiative has just reached Castello Brown, perched above the harbour. The ancient fortress of San Giorgio, which was the setting for the feature film *Enchanted April*, was the residence of a Mr Yeats Brown, the British consul in Genoa who "discovered" Portofino in 1870.

This year, for the first time, the castle was transformed into a rough-and-ready exhibition space. Restoration of the interior should follow, together with the repainting of the extravagantly decorated facades of the fishing cottages in the harbour. In the meantime the exhibition - a collection of Italian fashion photography - will travel as far as Gothenburg and Yokohama, spreading the name of Portofino.

Seeing the crowded centre in summer, you have to hope that greater fame will alert some tourists to the charms of Portofino out of season. Even the Splendido languished half-empty when it opened for the first time last winter. It does so again this year.

Not that you see a more authentic Portofino in the closed season, just a quieter one. Thanks to conservation schemes, wild boar are supposed to have returned to the woods behind the harbour, but no amount of cultural initiatives can bring back, say, the village school or local life independent of the summer rush.

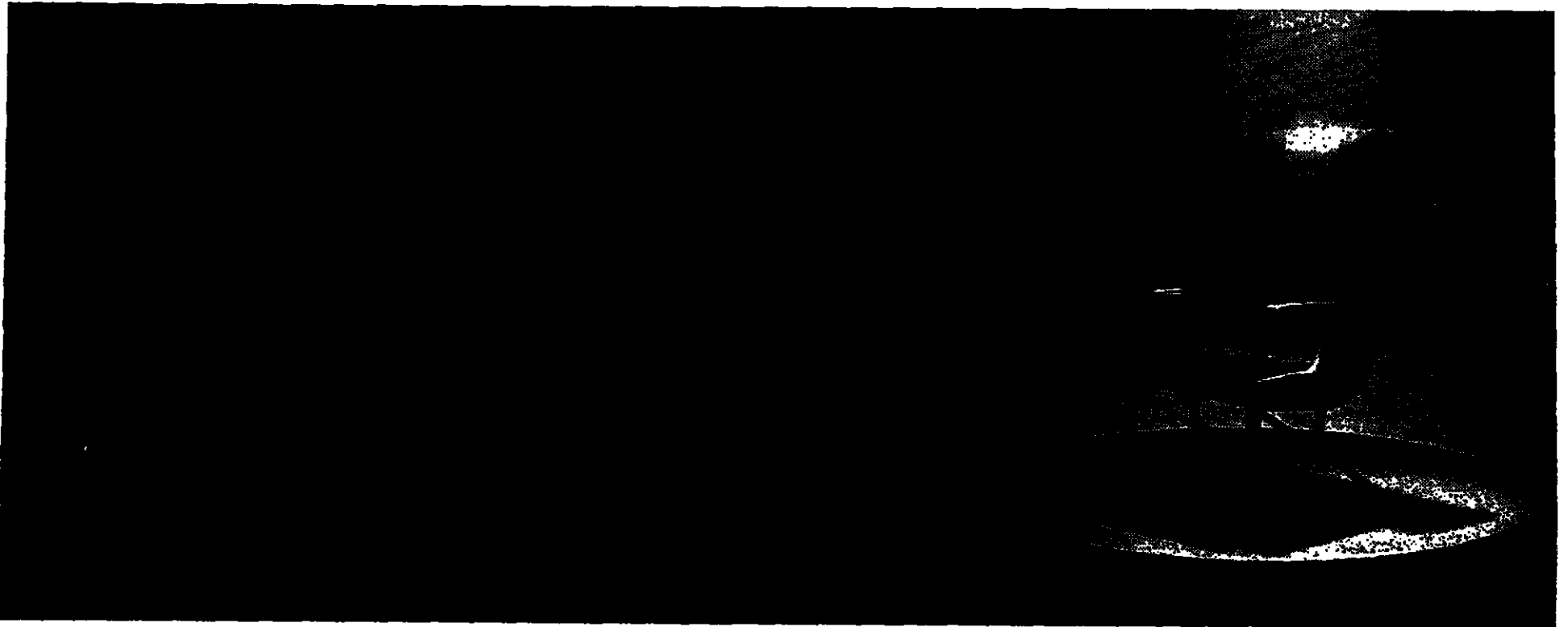
"In the south, you hear about villages which are empty because of poverty", says the mayor in a rare moment of nostalgia. "Here, people have moved out because of wealth." Yeats Brown has a lot to answer for.

● Andrew Hill was a guest of the Comune di Portofino and stayed at the Hotel Nazionale in the centre of the village, tel: (0185) 269375, fax: 269578



All summer, ocean-going eyesores float in front of the *trompe l'oeil* pastel facades

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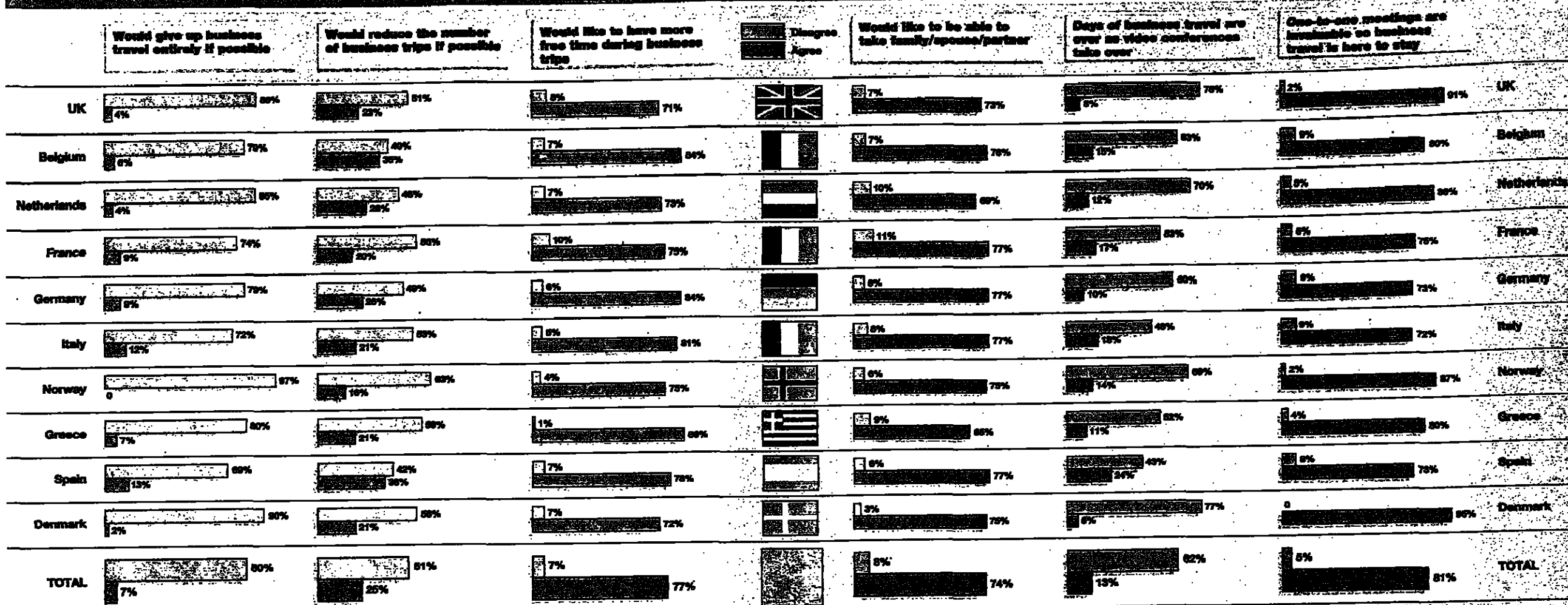
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## The future of business travel



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## Stewart Dalby gauges the views of three seasoned travellers

## Wait for the last call

One business traveller of my acquaintance, who is constantly on the move, likes to retail the following story.

A man presents himself at the check-in desk in Los Angeles. The woman at the counter says: "You are flying to Denver, sir?" "Yes, I am," comes the reply.

"And you have three pieces of baggage, is that correct?" "Yes. But I would like one piece to go to Chicago. One piece to Miami and the third to New York."

"Pardon? That is very irregular. I could not possibly do that."

"Why not, you did it last week."

My acquaintance admits the

## Most airlines forbid mobile phones, but some allow computers

story is apocryphal and says baggage going astray, at least in the US, is now rare compared with 10 years ago.

But Dr David Arnold, an executive with Thorn Secure Systems, a subsidiary of Thorn EMI, adds: "I usually try to travel with just one piece of baggage. If it is a short trip, I try to take everything I need in one bag and carry it on the aircraft with me."

Mr John Flory, a 28-year-old "information arbitrageur" with a London company, Crawford, agrees.

"I would never take more than one piece of luggage, if I can possibly avoid it. In fact, I usually just take expensive clothes like suits and shirts and buy socks and things when I get there."

Mr David Appleby, a newspaper executive, says on the subject of baggage: "Even on long trips I try to take everything on to the aircraft with me. You can get these airline bags which you can wheel along and then put in the overhead racks or underneath the seat."

"You can put all your essential documents and toiletries in them. Then you can take a suit bag. Put your suits and shirts in it and hang it up on the aircraft. Most airlines allow this nowadays."

Mr Appleby also thinks it is worthwhile checking out which airlines allow the use of personal computers. Most airlines forbid mobile phones, but some allow computers.

"It can make a hell of a difference, if on a long flight, you can get a paper written."

All three business travellers believed in waiting for the last call for the aircraft before boarding a flight.

As for money, there is a consensus among business travellers that the best way to travel is to take cash and use credit and charge cards as much as possible. Traveller's cheques, especially if they are not in a local currency can cost money not only because of handling fees but also in possible exchange losses.

Mr Flory says: "I change a little cash on my departure for taxis at the other end. When I am at my destination I shop around the money-changers for the best rate. I never take

traveller's cheques. I use cards whenever possible."

Is he not worried about theft and muggings?

"I have never had any problems," he replies.

Dr Arnold also favours credit cards and cash. He says: "I was in the US for a week recently. I spent \$1,500. I took \$150 in cash and \$150 in traveller's cheques. You must have some cash. The traveller's cheques are a precaution. I usually give them back uncashed."

Mr Appleby also favours extensive use of cards, even to countries formerly in the Soviet Union. He says: "There is not much point taking traveller's cheques to the former Soviet Union. It has to be dollars. But if you are worried about security, credit cards are the answer."

"In the former Soviet Union, the usual credit cards are accepted, in most hotels and restaurants in the main centres."

Mr Appleby makes the point that it is best to use company credit cards. He says: "If you use your own credit cards you are in effect making a cheap loan to your company, since it is your money being used upfront. It is best to claim the money back quickly."

He feels that it is a false economy to try to save money by staying in cheap hotels. He says: "You are travelling on business. Time is usually at a premium. You need a good laundry and dry-cleaning service. You also need a reliable front desk, which takes messages and passes them on. Usually you will need a fax and secretarial service."

Dr Arnold agrees. He says: "I always stay in hotels where I

## Staying in cheap hotels to try to save money may be a false economy

can get work done."

Business travellers are, generally speaking, not great tourists. Dr Arnold says: "I rarely have time to see the sights."

Nor does Mr Appleby have much time for tourism. "But I do read up on countries before I visit them. The Rough Guides are useful. I know they are meant to be for backpackers, but I find they have the best detailed information on restaurants and other things."

The Travel Bookshop in London's Notting Hill says there is such a large selection of guide books that, with new ones appearing every year, the choice is limitless.

Guide books are subject to fashion. Old favourites among business travellers such as the Fodor and Insight guides are no longer so keenly sought.

A current favourite among business travellers, according to the Travel Bookshop, is the upmarket Cadogan guides. They open with practical hints and have sections on history and suggestions for walks and other attractions. Prices start at £9.95.

\*The Travel Bookshop is in London's Notting Hill, 13 Blenheim Crescent, London W11 2EE (Telephone 0171 229 5260).